

American Academy Of Child And Adolescent Psychiatry

Financial Report
December 31, 2010

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Independent Auditor's Report

To the Financial Planning Committee
American Academy of Child and Adolescent Psychiatry
Washington, D.C.

We have audited the accompanying balance sheet of American Academy of Child and Adolescent Psychiatry (AACAP) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AACAP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AACAP's 2009 financial statements and in our report, dated June 25, 2010; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AACAP's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the American Academy of Child and Adolescent Psychiatry as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011, on our consideration of the American Academy of Child and Adolescent Psychiatry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Vienna, Virginia
September 23, 2011

American Academy Of Child And Adolescent Psychiatry

Balance Sheet

December 31, 2010

(With Comparative Totals For 2009)

Assets	2010	2009
Cash And Cash Equivalents	\$ 2,306,257	\$ 832,019
Investments	6,465,906	6,676,184
Receivables, net	649,755	665,951
Prepaid Expenses	92,966	112,670
Promises To Give, net	47,207	70,790
Property And Equipment, net	2,378,343	2,651,474
	\$ 11,940,434	\$ 11,009,088

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 1,294,317	\$ 597,967
Deferred revenues	1,975,129	1,969,580
Regional council dues payable	11,407	206,075
Note payable	266,635	369,711
	3,547,488	3,143,333

Commitments And Contingencies (Notes 10 And 11)

Net Assets

Unrestricted		
Undesignated	4,427,392	4,104,061
Board-designated	171,748	257,787
	4,599,140	4,361,848
Temporarily restricted	2,224,136	2,079,041
Permanently restricted	1,569,670	1,424,866
	8,392,946	7,865,755
	\$ 11,940,434	\$ 11,009,088

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Activities

Year Ended December 31, 2010

(With Comparative Totals For 2009)

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support:					
Annual meeting and institutes	\$ 2,453,694	\$ -	\$ -	\$ 2,453,694	\$ 1,336,971
Membership dues and fees	2,050,617	-	-	2,050,617	2,060,832
Grants and contributions	781,638	704,747	1,000	1,487,385	1,605,625
Journal	1,251,723	-	-	1,251,723	1,301,146
Investment gain, net	300,912	289,333	-	590,245	1,417,765
Publications	215,397	-	-	215,397	183,726
Member benefit royalties	211,134	-	-	211,134	220,202
January Institute	184,468	-	-	184,468	173,309
JobSource	127,023	-	-	127,023	40,800
Annual review	104,614	-	-	104,614	88,850
Lifelong Learning Institute	56,548	-	-	56,548	40,619
AACAP News	18,505	-	-	18,505	23,121
Other income	16,598	-	-	16,598	21,097
Building-rental income	15,948	-	-	15,948	30,096
Transfer to permanently restricted net assets	-	(143,804)	143,804	-	-
Net assets released from restrictions	705,181	(705,181)	-	-	-
Total revenue and support	8,494,000	145,095	144,804	8,783,899	8,544,159
Expenses:					
Program services:					
Annual meeting and institutes	1,241,592	-	-	1,241,592	994,906
Grants	1,021,544	-	-	1,021,544	936,076
Components	717,657	-	-	717,657	677,784
Special Funds	659,701	-	-	659,701	554,847
Journal	534,384	-	-	534,384	662,120
AACAP News	173,674	-	-	173,674	164,695
January Institute	112,007	-	-	112,007	92,532
Annual review	79,559	-	-	79,559	81,982
Presidential initiatives	75,515	-	-	75,515	68,602
Lifelong Learning Institute	48,504	-	-	48,504	45,056
Publications	11,844	-	-	11,844	66,055
JobSource	4,224	-	-	4,224	2,003
Total program services	4,680,205	-	-	4,680,205	4,346,658
Supporting services:					
Central office	3,021,460	-	-	3,021,460	3,110,548
Building operations	417,993	-	-	417,993	515,210
Fundraising	137,050	-	-	137,050	142,091
Total supporting services	3,576,503	-	-	3,576,503	3,767,849
Total expenses	8,256,708	-	-	8,256,708	8,114,507
Change in net assets	237,292	145,095	144,804	527,191	429,652
Net Assets:					
Beginning	4,361,848	2,079,041	1,424,866	7,865,755	7,436,103
Ending	\$ 4,599,140	\$ 2,224,136	\$ 1,569,670	\$ 8,392,946	\$ 7,865,755

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Cash Flows
Year Ended December 31, 2010
(With Comparative Totals For 2009)

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 527,191	\$ 429,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments, net	(422,879)	(1,244,787)
Bad debt expense	46,731	118,046
Depreciation	302,148	302,120
Contributions restricted to investment in perpetuity	(1,000)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(30,535)	(199,307)
Prepaid expenses	19,704	(3,360)
Promises to give	23,583	39,158
Increase (decrease) in:		
Accounts payable and accrued expenses	696,350	(334,205)
Deferred revenues	5,549	829,462
Regional council dues payable	(194,668)	82,368
Net cash provided by operating activities	972,174	19,147
Cash Flows From Investing Activities		
Purchases of property and equipment	(29,017)	(171,474)
Proceeds from sales of investments	3,764,734	1,994,552
Purchases of investments	(3,131,577)	(2,164,993)
Net cash provided by (used in) investing activities	604,140	(341,915)
Cash Flows From Financing Activities		
Principal payments on note payable	(103,076)	(98,336)
Contributions restricted to investment in perpetuity	1,000	-
Net cash used in financing activities	(102,076)	(98,336)
Net increase (decrease) in cash and cash equivalents	1,474,238	(421,104)
Cash And Cash Equivalents:		
Beginning	832,019	1,253,123
Ending	\$ 2,306,257	\$ 832,019
Supplemental Disclosure Of Cash Flow Information:		
Cash paid for interest	\$ 13,402	\$ 16,330

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The American Academy of Child and Adolescent Psychiatry (AACAP) has been a growing and dynamic organization, giving direction to and responding quickly to new developments in the health care environment by addressing the needs of children, adolescents, and families. AACAP represents child and adolescent psychiatrists with at least five years of additional training beyond medical school, including two years in child and adolescent psychiatry residency. AACAP members actively research, diagnose, and treat psychiatric disorders affecting children, adolescents, and their families. AACAP supports this work through a variety of programs including Government liaison, national public information, and continuing education.

The following are descriptions of AACAP's significant programs:

Annual meeting and institutes: The annual meeting presents the latest research and clinical practice in the field of child and adolescent psychiatry to members and non-members. Institutes at the annual meeting, the January institute, and the lifelong learning institute provide continuing professional education on the latest topics in the field.

Grant expenses: Through a number of federal and non-federal grants, AACAP supports research and training fellowships in the field of child and adolescent psychiatry.

Components: AACAP sponsors committees which work to increase the knowledge base about specific areas of interest for AACAP members and the public and help AACAP disseminate information.

Special Funds: AACAP promotes and supports research careers, publicizes research and training opportunities, and sponsors initiatives to foster the development and continuing excellence of child and adolescent psychiatrists through fellowship programs, distinguished member lectures and research stipends.

Journal: Through the monthly *Journal of the American Academy of Child and Adolescent Psychiatry*, AACAP publishes peer review scientific papers and an online subscription.

AACAP News: The *AACAP News* is a bi-monthly publication designed to inform members about the latest developments in clinical practice and AACAP initiatives.

A summary of AACAP's significant accounting policies follows:

Basis of accounting: The financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, AACAP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: For purposes of reporting cash flows, AACAP considers all money market funds to be cash equivalents. All certificates of deposit, regardless of maturity, are considered investments. Cash held by investment custodians is also considered investments.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Financial risk: AACAP invests in a professionally managed portfolio that contains equity and fixed income securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

AACAP maintains its cash in bank deposit accounts, which at times, may exceed federally-insured limits. AACAP has not experienced any losses in such accounts. AACAP thinks it is not exposed to any significant financial risk on cash and cash equivalents.

Investments: Investments are reported at fair value as determined by quoted market prices. Changes in fair value are recorded as a component of investment income in the statement of activities. Investment income and losses that are temporarily restricted based on donor stipulations are allocated based on the methodology detailed in Note 12.

Receivables: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts receivable of \$145,600, at December 31, 2010, is based on management's evaluation of the collectability of receivables.

Unconditional promises to give: Unconditional promises to give are recognized as revenue or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are carried at original amount pledged less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and collectability of past donations. Promises to give are written off when deemed uncollectible. Management has determined that no provision was necessary for promises to give at December 31, 2010. Recoveries of promises to give previously written off are recorded when received.

Property and equipment: Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 40 years. AACAP capitalizes all property and equipment purchased with a cost of \$1,000 or more.

Valuation of long-lived assets: AACAP accounts for the valuation of long-lived assets in accordance with the Codification. As required by the Non-Profit Entities Topic of the Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*, it is required that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Regional council dues payable: Regional council dues payable consist of state and local AACAP chapter dues collected by AACAP, which need to be paid out to chapters.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Board designated net assets: AACAP's Board of Directors has designated net assets in the amount of \$171,748 at December 31, 2010, for the Presidential Initiative Funds.

Revenue and support: Annual meetings and institutes revenues are recognized in the period the meetings and institutes occur. Payments received in advance are recorded as deferred revenue.

Membership dues and fees are recognized as revenue over the dues period which coincides with AACAP's calendar year. Dues received in advance are reported as deferred dues and recognized during the period of membership.

AACAP has federal and non-federal grants. Revenue from grants is recognized as services are performed and costs are incurred. Conditional grants are recognized when the conditions on which they depend are substantially met. Such grant funds received prior to conditions being met are reported as refundable advances.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Journal revenue is recognized in the period it is earned. Initial publishing royalties received are recorded as deferred revenues, and recognized over the life of the publishing agreement.

Functional expense classification: The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AACAP's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2009, financial statements have been reclassified to conform to the December 31, 2010, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets.

Income taxes: AACAP is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, AACAP has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue earned in AACAP's publications, less applicable deductions, is subject to unrelated business income tax. There was no net tax liability for unrelated business income for the year ended December 31, 2010.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

AACAP follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, AACAP may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated AACAP's tax positions and concluded that AACAP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, AACAP is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2007.

New pronouncements: In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provided accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. AACAP adopted ASU 2010-06 during the year ended December 31, 2010.

Subsequent events: AACAP evaluated subsequent events through September 23, 2011, which is the date the financial statements were available to be issued.

Note 2. Investments

AACAP's investments at December 31, 2010, consist of the following:

Equity securities	\$ 4,206,972
Fixed income	2,192,690
Cash	66,244
	<u>\$ 6,465,906</u>

Net investment gain for the year ended December 31, 2010, consists of the following:

Realized and unrealized gains on investments, net	\$ 422,879
Dividends and interest	198,787
	<u>621,666</u>
Less management fees	31,421
	<u>\$ 590,245</u>

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 3. Receivables

Receivables at December 31, 2010, consist of the following:

Federal receivables	\$	475,225
General receivables		320,130
		<hr/> 795,355
Less allowance for doubtful accounts		145,600
	\$	<hr/> <hr/> 649,755

Note 4. Promises To Give

Unconditional promises to give due in one year or more are measured using the present value of future cash flows based on a discount rate of approximately six percent. Unconditional promises to give at December 31, 2010, consist of the following:

Amounts due in less than one year	\$	7,500
Amounts due in one to two years		47,067
Gross unconditional promises to give		<hr/> 54,567
Less discount to net present value		7,360
Net unconditional promises to give	\$	<hr/> <hr/> 47,207

Note 5. Property And Equipment

Property and equipment at December 31, 2010, and depreciation expense for the year then ended, is as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	10 to 40 years	\$ 3,557,171	\$ 1,727,828	\$ 1,829,343	\$ 217,212
Office equipment, computers, and software	3 to 10 years	679,590	506,007	173,583	84,936
Land		375,417	-	375,417	-
		<hr/> \$ 4,612,178	<hr/> \$ 2,233,835	<hr/> \$ 2,378,343	<hr/> \$ 302,148

Note 6. Deferred Revenue

Deferred revenue at December 31, 2010, consists of the following:

Membership dues	\$	1,239,549
Initial publishing royalty		600,000
January Institute		127,681
Other		7,899
	\$	<hr/> <hr/> 1,975,129

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 7. Note Payable

AACAP entered into a loan agreement with SunTrust Bank on May 1, 2008. The loan provided AACAP \$500,000, at an interest rate of 4.207 percent. The loan was interest only for the first 90 days and is payable over a five-year period. AACAP is subject to various reporting requirements and covenants, as detailed in the loan agreement. The loan is secured by all of AACAP's cash deposits held with SunTrust Bank. At December 31, 2010, all of AACAP's cash was held with SunTrust Bank. As of December 31, 2010, AACAP was not in compliance with the financial reporting requirement. AACAP has received a waiver from SunTrust Bank for this requirement. AACAP obtained this loan to finance its building renovations.

The future principal payments on the loan at December 31, 2010, are due as follows:

Years Ending December 31,

2011	\$	107,171
2012		111,816
2013		47,648
	\$	<u>266,635</u>

Note 8. Building Rental

During the year ended December 31, 2010, AACAP leased a portion of its building under an operating lease. The lease was extended in October 2010, and will expire in September 2012. Rental income for the year ended December 31, 2010, was \$15,948. AACAP will receive rental payments of \$30,900 and \$22,500, during the years ending December 31, 2011 and 2012, respectively.

Note 9. Retirement Plan

AACAP maintains a defined contribution pension plan for its full-time employees. Contributions are made on behalf of eligible employees at the rate of ten percent of their compensation below the social security wage base and 15.7 percent of compensation in excess of the social security taxable wage base. Amounts contributed to the plan for the year ended December 31, 2010, were \$184,832.

Note 10. Commitments

Hotels and facilities: AACAP has entered into several contracts for hotel room rentals and convention centers relating to its annual meetings to be held during the years ending December 31, 2011, through 2015. In the event of cancellation, AACAP is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Publishing: AACAP entered into a new publishing agreement with Elsevier Inc., effective January 1, 2010, which extends through 2014. Under this agreement, AACAP is entitled to receive minimum royalty payments, as well as an annual additional royalty.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 10. Commitments (Continued)

AACAP's minimum royalty payments under the Elsevier Inc., agreement will be:

Years Ending December 31,

2011	\$	825,399
2012		906,289
2013		995,887
2014		1,094,333
	\$	<u>3,821,908</u>

Elsevier Inc., paid AACAP an additional annual royalty of \$350,000 during the year ended December 31, 2010. Beginning in 2011, this additional annual royalty will increase annually, commensurate with increases in the Federal Bureau of Labor Statistics, Consumer Price Index (CPI) for all Urban Consumers.

Executive Employment Agreement: AACAP has previously entered into an employment agreement with its Executive Director. This agreement contains a severance package for termination without cause. In addition, AACAP has agreed to provide its Executive Director with additional compensation upon resignation, assuming a one-year notice is provided to AACAP, and that the Executive Director would be available to the next Executive Director and President.

Note 11. Contingency

AACAP participates in a federally-assisted grant program that is subject to financial and compliance audits by the federal agency or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments that may result from such audits.

Note 12. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2010, along with the activity in the temporarily restricted funds for the year then ended, is as follows.

For the year ended December 31, 2010, AACAP allocated investment gains to its temporarily restricted net asset funds. This allocation has two components. The first is an allocation based on the balance and activity in each temporarily restricted fund. The second is an allocation based on the balance and activity in each permanently restricted fund. In each of the two allocations described above, the allocation methodology is the same, and the allocated investment gains are recorded within the respective temporarily restricted fund. The allocations were calculated for each fund based on the balance in each fund at December 31, 2009, plus the current year activities, divided by AACAP's average investment balance for the year ended December 31, 2010, multiplied by AACAP's net investment gains for the year ended December 31, 2010.

In 2009, AACAP changed which programs receive the investment income allocation. AACAP no longer allocates investment income to programs that are less than one year in duration or that have a measurable date of completion during the fiscal year, such as programs where the terms of the restriction are satisfied at the annual meeting. In addition, AACAP does not allocate investment income to programs where the donors, such as but not limited to governmental entities or pharmaceutical companies, do not have expectations of receiving investment gains, or intend the funds to be subject to market losses.

Temporarily restricted funds which are driven by multi-year promises to give are allocated differently. AACAP only allocates the investment gain based on the actual cash received by year-end and excludes the amount that has yet to be received.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 12. Temporarily Restricted Net Assets (Continued)

	Balance December 31, 2009	Grants And Contributions	Net Assets Released From Restrictions	Transfers Within Temporarily Restricted	Transfer To Permanently Restricted	Investment Income On Temporarily Restricted	Investment Income On Permanently Restricted	Balance December 31, 2010
Campaign for America's Kids	\$ 479,169	\$ 98,728	\$ (130,148)	\$ -	\$ -	\$ 43,450	\$ -	\$ 491,199
Endowment Fund	245,066	500	(91,583)	4,845	-	20,073	69,864	248,765
ADHD Research	-	210,186	(15,134)	-	-	-	-	195,052
Karl Menninger Plenary	161,398	-	(8,745)	-	-	14,721	-	167,374
Pilot Research Awards (Eli Lilly)	198,928	96,000	(150,370)	-	-	-	-	144,558
Berman Learning Disability Fund	114,332	-	(5,193)	-	-	10,476	-	119,615
Lawrence A. Stone, M.D. Plenary	-	100,000	(2,217)	-	-	4,584	-	102,367
E. Schlosser Lewis	190,094	47,250	(48,900)	-	(143,804)	13,172	42,188	100,000
Abramson Fund	52,341	-	(3,948)	-	-	4,721	16,651	69,765
Spurlock Fund-NIDA	66,831	23,575	(25,586)	-	-	-	-	64,820
Stubblefield AMA House of Delegates	54,646	904	-	-	-	4,929	-	60,479
Endowed Dues	44,955	-	(32)	-	-	4,213	-	49,136
John F. McDermott Assistant Editor in Residence	43,053	-	-	-	-	4,036	-	47,089
John Schowalter Resident	39,839	-	-	-	-	3,735	-	43,574
Life Member Fund	12,605	32,660	(5,822)	-	-	2,440	-	41,883
Tarjan Fund for Mental Retardation	27,163	-	(1,728)	-	-	2,465	-	27,900
Spurlock Fund – CMHS	35,178	-	(7,527)	-	-	-	-	27,651
Phillips Fund for Prevention	25,581	-	(10,227)	-	-	1,918	9,615	26,887
Marcelino Amaya Fund	7,096	17,245	(1,757)	-	-	1,391	-	23,975
General Resident Travel Awards (Eli Lilly)	47,486	51,500	(75,656)	-	-	-	-	23,330
Simon Wile Fund	21,157	-	(1,194)	-	-	1,927	-	21,890
Congressional Fellow Program	95,112	4,449	(86,014)	-	-	5,094	-	18,641
Klingenstein	9,754	21,500	(13,536)	-	-	-	-	17,718
Aubrey Metcalf Fund (Northern California – ROCAP)	15,424	250	-	-	-	1,458	-	17,132
Cancro Award	16,469	-	(2,228)	-	-	1,440	-	15,681
Spurlock Fund-AACAP	16,143	-	(3,183)	-	-	1,365	-	14,325
Beatrice Hamburg Award	12,636	-	(1,116)	-	-	1,132	-	12,652
Robinson/Cunningham	10,499	-	(523)	-	-	960	-	10,936
Quest for the Test – Pilot Research Award (Sang Foundation)	11,171	-	(466)	-	-	-	-	10,705
Jerry M. Wiener Resident	5,976	-	-	-	-	561	-	6,537
Regional Student Interest Groups	7,721	-	(6,000)	-	-	-	-	1,721
Psychodynamic Psychotherapy Research Project	3,105	-	(2,500)	-	-	174	-	779
Marshall Schecter Lecture Fund	8,113	-	(3,848)	(4,845)	-	580	-	-
	\$ 2,079,041	\$ 704,747	\$ (705,181)	\$ -	\$ (143,804)	\$ 151,015	\$ 138,318	\$ 2,224,136

The transfer to permanently restricted net assets detailed above is in response to a direct request from the donor. The donor instructed AACAP to transfer the balance in the donor's temporarily restricted fund, in excess of \$100,000 at December 31, 2010, to the donor's permanently restricted fund.

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Notes To Financial Statements

Note 13. Permanently Restricted And Board Designated Net Assets

AACAP follows the Codification on, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. Management has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, AACAP classifies as permanently restricted net assets: (a) the original value of permanently restricted cash contribution; and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, AACAP considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of AACAP and donor-restricted endowment fund
- The duration and preservation of the funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies

Spending policy: All earnings from AACAP's permanently restricted net assets are recorded as temporarily restricted net assets, as each permanently restricted fund has a temporarily restricted component. AACAP's permanently restricted funds are geared towards programmatic spending that falls within the mission and purpose of AACAP. AACAP analyzes the balance in the temporarily restricted component of the fund when evaluating the ability to spend prudently on related programs which coincide with the purpose of the fund. AACAP's endowment fund is used to support programs that promote the health and development of children, adolescents, and families. The programs which AACAP supports are ultimately decided by the Council. Board designated net assets are used to fund programs determined by the President.

Investment policy: AACAP invests all permanently restricted funds, as well as other invested funds, in a pooled fund managed by an investment manager according to the objectives and guidelines of AACAP's Statement of Investment Objectives. AACAP's overall objective is to outperform inflation while minimizing potential losses. At least annually, AACAP's Financial Planning Committee, in consultation to the Treasurer and Executive Director, will review the Statement of Investment Objectives to determine their continued applicability. Ultimate authority and responsibility for the financial policies rest with the Council.

AACAP's endowment funds consist of the following at December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 445,417	\$ 1,569,670	\$ 2,015,087
Board designated endowment funds	171,748	-	-	171,748
	<u>\$ 171,748</u>	<u>\$ 445,417</u>	<u>\$ 1,569,670</u>	<u>\$ 2,186,835</u>

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Notes To Financial Statements

Note 13. Permanently Restricted And Board Designated Net Assets (Continued)

Endowment fund activity for the year ended December 31, 2010, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 257,787	\$ 513,082	\$ 1,424,866	\$ 2,195,735
Grants and contributions	-	47,750	1,000	48,750
Investment gain	-	178,202	-	178,202
Amounts appropriated for expenditure	(86,039)	(154,658)	-	(240,697)
Transfer within temporarily restricted net assets	-	4,845	-	4,845
Transfer to permanently restricted net assets	-	(143,804)	143,804	-
Endowment net assets, end of year	<u>\$ 171,748</u>	<u>\$ 445,417</u>	<u>\$ 1,569,670</u>	<u>\$ 2,186,835</u>

All AACAP endowment funds are included with the investments as shown in Note 2.

Permanently restricted net assets at December 31, 2010, consist of the following endowments:

Endowment Fund	\$ 745,206
E. Schlosser Lewis Fund	543,804
Abramson Fund	177,605
Phillips Fund for Prevention	103,055
	<u>\$ 1,569,670</u>

Board designated net assets at December 31, 2010, consist of the following programs:

Drell Presidential Initiative Fund	\$ 148,747
Greenhill Presidential Initiative Fund	23,001
	<u>\$ 171,748</u>

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Notes To Financial Statements

Note 14. Funds Provided To Subrecipients

The following funds were provided to the subrecipients listed below under the K – 12 federal program during the year ended December 31, 2010:

University of Colorado at Denver	\$	105,935
Research Foundation for Mental Hygiene, Inc.		90,690
Indiana University		72,251
Vanderbilt University Medical Center		72,080
NYU School of Medicine		70,793
Washington University		67,432
University of Pittsburgh		59,316
UCLA Neuropsychiatric Institute		59,308
Denver Health and Hospital Authority		53,495
Mount Sinai School of Medicine		46,500
University of Kentucky Research Foundation		17,508
		<hr/>
	\$	715,308

Note 15. Fair Value Measurements

AACAP follows the Codification topic, *Fair Value Measurements*. The Codification applies to all assets and liabilities that are being measured and reported on a fair value basis. The Codification requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. The Codification enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Codification requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, AACAP performs a detailed analysis of the assets and liabilities that are subject to The Codification. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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Note 15. Fair Value Measurements (Continued)

The table below presents the balances of assets at December 31, 2010, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities:				
Consumer Growth	\$ 575,769	\$ 575,769	\$ -	\$ -
Technology	427,209	427,209	-	-
Financial	386,220	386,220	-	-
Energy	318,669	318,669	-	-
Capital Equipment	272,601	272,601	-	-
Consumer Cyclical	268,835	268,835	-	-
Industrial Commodities	129,225	129,225	-	-
Consumer Staples	101,847	101,847	-	-
Utilities	83,939	83,939	-	-
Services	57,710	57,710	-	-
Non financial	12,438	12,438	-	-
	<u>2,634,462</u>	<u>2,634,462</u>	-	-
Equity funds:				
International fund	1,018,748	1,018,748	-	-
Global real estate fund	347,509	347,509	-	-
Emerging market fund	206,253	206,253	-	-
	<u>1,572,510</u>	<u>1,572,510</u>	-	-
Total equity securities	<u>4,206,972</u>	<u>4,206,972</u>	-	-
Fixed income securities:				
Intermediate duration fund	2,192,690	2,192,690	-	-
	<u>2,192,690</u>	<u>2,192,690</u>	-	-
Total assets at fair value	<u>\$ 6,399,662</u>	<u>\$ 6,399,662</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash held with investments	66,244			
Total investments	<u>\$ 6,465,906</u>			

The assets detailed above are classified as Level 1 instruments, as they are publicly traded in active markets.