

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Financial Report
December 31, 2014

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Independent Auditor's Report

To the Council
American Academy of Child and Adolescent Psychiatry
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Academy of Child and Adolescent Psychiatry and Affiliates (the Academy), which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Academy of Child and Adolescent Psychiatry and Affiliates as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Academy's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of the Academy's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Gaithersburg, Maryland
June 29, 2015

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Balance Sheet

December 31, 2014

(With Comparative Totals for 2013)

	2014	2013
Assets		
Cash	\$ 2,028,287	\$ 931,147
Investments	10,013,467	9,139,988
Receivables, Net	616,606	952,956
Prepaid Expenses	224,386	259,827
Promises to Give, Net	-	26,138
Inventory	17,417	-
Property and Equipment, Net	1,654,691	1,784,364
	\$ 14,554,854	\$ 13,094,420
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,055,389	\$ 875,092
Deferred revenue	1,730,561	1,646,676
Regional council dues payable	221,949	241,014
	3,007,899	2,762,782
Commitments and Contingencies (Notes 8, 9 and 10)		
Net Assets		
Unrestricted		
Undesignated	7,365,092	6,317,987
Board-designated	925,430	906,541
	8,290,522	7,224,528
Temporarily restricted	1,458,163	1,512,440
Permanently restricted	1,798,270	1,594,670
	11,546,955	10,331,638
	\$ 14,554,854	\$ 13,094,420

See Notes to Consolidated Financial Statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities
 Year Ended December 31, 2014
 (With Comparative Totals for 2013)

	2014				2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenue and Support					
Membership dues and fees	\$ 2,601,059	\$ -	\$ -	\$ 2,601,059	\$ 2,522,690
Annual meeting and institutes	2,175,006	-	-	2,175,006	1,973,200
Grants and contributions	1,487,499	385,238	53,600	1,926,337	2,139,877
Journal	1,654,051	-	-	1,654,051	1,541,197
Investment gain, net	353,000	268,587	-	621,587	1,308,533
Publications	251,353	-	-	251,353	240,647
Member benefit royalties	176,717	-	-	176,717	170,478
Advertising	94,610	-	-	94,610	99,918
Building – rental income	31,200	-	-	31,200	30,000
Training	11,803	-	-	11,803	22,328
Other income	34,207	-	-	34,207	10,128
Net assets released from restrictions	558,102	(558,102)	-	-	-
Total revenue and support	9,428,607	95,723	53,600	9,577,930	10,058,996
Expenses					
Program services:					
Annual meeting and institutes	1,693,611	-	-	1,693,611	1,665,511
Components	1,188,806	-	-	1,188,806	1,116,617
Grants	1,113,438	-	-	1,113,438	1,244,792
Journal	729,073	-	-	729,073	723,601
Government affairs	667,001	-	-	667,001	568,859
Special funds	566,345	-	-	566,345	714,340
Membership	363,484	-	-	363,484	288,620
Research initiatives	290,750	-	-	290,750	207,915
Clinical practice	222,944	-	-	222,944	227,368
AACAP News	173,722	-	-	173,722	146,261
Communications	140,340	-	-	140,340	136,501
Presidential initiatives	37,586	-	-	37,586	78,289
Publications	19,479	-	-	19,479	19,915
Total program services	7,206,579	-	-	7,206,579	7,138,589
Supporting services:					
Central office	804,377	-	-	804,377	986,972
Fundraising	320,457	-	-	320,457	268,231
Building operations	31,200	-	-	31,200	30,167
Total supporting services	1,156,034	-	-	1,156,034	1,285,370
Total expenses	8,362,613	-	-	8,362,613	8,423,959
Change in net assets before other changes	1,065,994	95,723	53,600	1,215,317	1,635,037
Transfer to Permanently Restricted Net Assets	-	(150,000)	150,000	-	-
Change in net assets	1,065,994	(54,277)	203,600	1,215,317	1,635,037
Net Assets					
Beginning	7,224,528	1,512,440	1,594,670	10,331,638	8,696,601
Ending	\$ 8,290,522	\$ 1,458,163	\$ 1,798,270	\$ 11,546,955	\$ 10,331,638

See Notes to Consolidated Financial Statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 1,215,317	\$ 1,635,037
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments, net	(424,136)	(1,128,389)
Bad debt expense	70,541	2,356
Depreciation	250,083	257,607
Contribution restricted for long-term investment	(53,600)	(25,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	291,947	(527,146)
Prepaid expenses	35,441	(73,321)
Promises to give	-	6,592
Inventory	(17,417)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	180,297	(458,068)
Deferred revenue	83,885	(197,323)
Regional council dues payable	(19,065)	(3,900)
Net cash provided by (used in) operating activities	1,613,293	(511,555)
Cash Flows From Investing Activities		
Purchases of property and equipment	(120,410)	(44,985)
Proceeds from sales of investments	1,719,332	4,351,191
Purchases of investments	(2,168,675)	(4,531,314)
Net cash used in investing activities	(569,753)	(225,108)
Cash Flows From Financing Activities		
Principal payments on note payable	-	(48,021)
Contribution restricted for long-term investment	53,600	25,000
Net cash provided by (used in) financing activities	53,600	(23,021)
Net increase (decrease) in cash	1,097,140	(759,684)
Cash		
Beginning	931,147	1,690,831
Ending	\$ 2,028,287	\$ 931,147
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ -	\$ 512

See Notes to Consolidated Financial Statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The American Academy of Child and Adolescent Psychiatry and Affiliates (collectively, the Academy) consists of three entities.

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.

American Association of Child and Adolescent Psychiatry (AMCAP) was created to engage in health policy and advocacy activities to promote mentally healthy children, adolescents, and families and the profession of child and adolescent psychiatry.

During the year ended December 31, 2014, AMCAP created the AMCAP Political Action Committee (the PAC). The PAC is a separate segregated fund of AMCAP and is an unincorporated committee. The PAC's purpose is to support federal candidates who support child and adolescent psychiatry. The PAC is not affiliated with any party. Assets and activity of the PAC as of and for the year ended December 31, 2014, totaled approximately \$22,000.

The following are descriptions of the Academy'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.

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

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

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

Government affairs: The Academy's Government Affairs promotes advocacy efforts at the federal and state levels to improve policies and services for children and adolescents with mental illness. The Academy works to educate policymakers and administrators about issues affecting child and adolescent psychiatry and children's mental health.

Special funds: The Academy 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.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Membership: The Membership Department is also responsible for development and maintenance of member benefits and services, and maintaining all membership records and statistics.

Clinical practice: The Academy's Clinical Practice department is principally responsible for assisting members with issues related to their clinical practice, such as practice parameters, coordination of care/services, collaborating with other professionals, and medical coding questions.

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

A summary of the Academy's significant accounting policies follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of AACAP, AMCAP and the PAC. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Basis of presentation: The consolidated financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, *Balance Sheet* and *Income Statement*, the Academy 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.

Financial risk: The Academy maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Academy has not experienced any losses in such accounts. The Academy believes it is not exposed to any significant financial risk on cash.

The Academy invests in a professionally managed portfolio that contains mutual funds, equities, and cash. The mutual funds and equities are exposed to various risks, such as interest, 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 consolidated financial statements.

Investments: Investments consist of mutual funds, equities and cash. The mutual funds and equities are recorded in the accompanying consolidated balance sheet at their fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Two particular investments are reported at an estimated fair value based on a practical expedient, the net asset value per share, provided by the investment manager. The Academy believes the carrying amounts of these financial instruments are a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated values are subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from currently reported values. Changes in fair value are recorded as a component of investment gain in the accompanying consolidated statement of activities. The cash held within investments is recorded at cost. Investment gains and losses that are temporarily restricted based on donor stipulations are allocated based on the methodology detailed in Note 11.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 \$26,640 at December 31, 2014, is based on management's evaluation of the collectability of receivables.

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. The Academy capitalizes all property and equipment purchased with a cost of \$500 or more.

Valuation of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets 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 reportable at the lower of the carrying amount or fair value, less cost to sell.

Regional council dues payable: Regional council dues payable consists of state and local Academy council dues collected by the Academy, which need to be paid out to councils.

Revenue and support: Membership dues and fees are recognized as revenue over the dues period which coincides with the Academy's fiscal year. Dues received in advance are reported as deferred revenue and recognized during the period of membership.

The Academy receives 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. There were no conditional grants at December 31, 2014.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, when received. 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 consolidated statement of activities as net assets released from restrictions.

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

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

Publication revenue is recognized when sales are made and member royalties are recognized in the period earned. Payments received in advance are recorded as deferred revenue.

Functional expense classification: The costs of providing various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 consolidated financial statements, and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The consolidated 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 the Academy's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassification: Some items in the 2013 summarized comparative information have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on the previously reported change in net assets or net assets.

Income taxes: AACAP, AMCAP and the PAC are generally exempt from federal income taxes under the provisions of Section 501(c)(3), 501(c)(6), and 527(f)(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 are subject to unrelated business income tax. There were no net tax liabilities for unrelated business income for the year ended December 31, 2014.

The Academy 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, the Academy 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% 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 the Academy's tax positions and concluded that the Academy had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, the Academy is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before December 31, 2011.

Subsequent events: The Academy evaluated subsequent events through June 29, 2015, which is the date the consolidated financial statements were available to be issued.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 2. Investments

The Academy's investments at December 31, 2014, consist of the following:

Mutual funds	\$	6,679,992
Equities		3,254,463
Cash		79,012
	\$	<u>10,013,467</u>

Net investment gain for the year ended December 31, 2014, consists of the following:

Realized and unrealized gain on investments, net	\$	424,136
Dividends and interest		232,932
		<u>657,068</u>
Less management fees		35,481
	\$	<u>621,587</u>

Note 3. Receivables

Receivables at December 31, 2014, consist of the following:

Federal grant receivables	\$	477,284
General receivables		165,962
		<u>643,246</u>
Less allowance for doubtful accounts		26,640
	\$	<u>616,606</u>

Note 4. Property and Equipment

Property and equipment at December 31, 2014, and depreciation expense for the year then ended, consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	10 to 40 years	\$ 3,674,600	\$ 2,527,553	\$ 1,147,047	\$ 190,135
Office equipment, computers, and software	3 to 10 years	880,133	747,906	132,227	59,948
Land		375,417	-	375,417	-
		<u>\$ 4,930,150</u>	<u>\$ 3,275,459</u>	<u>\$ 1,654,691</u>	<u>\$ 250,083</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 5. Deferred Revenue

Deferred revenue at December 31, 2014, consists of the following:

Membership dues	\$ 1,204,109
Annual meeting registration	352,050
Initial publishing royalty	158,225
Others	16,177
	<u>\$ 1,730,561</u>

Note 6. Building Rental

During the year ended December 31, 2014, the Academy leased a portion of its building under an operating lease. The lease will expire in September 2016. Rental revenue for the year ended December 31, 2014, was \$31,200.

The lease agreement calls for the Academy to receive the following future rental payments:

Year Ending December 31,

2015	\$ 31,200
2016	23,400
	<u>\$ 54,600</u>

Note 7. Retirement Plan

The Academy maintains a defined contribution pension plan for its full-time employees. Contributions are made on behalf of eligible employees at the rate of 10% of their compensation. Amounts contributed to the plan for the year ended December 31, 2014, were \$145,000.

Note 8. Margin Agreement

The Academy has established a margin authorization agreement with its investment manager that allows the Academy to draw funds based on a specific percentage of the investments, which resulted in approximately \$4 million available for margin as of December 31, 2014. Any funds borrowed under the margin loan agreement accrue interest at a rate dependent on the amount on margin. As of December 31, 2014, there was no amount outstanding under this agreement.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 9. Commitments

Hotels and facilities: The Academy has entered into several contracts for hotel room rentals and convention centers relating to its annual meetings to be held through 2021. In the event of cancellation, the Academy 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: The Academy entered into a publishing agreement with Elsevier Inc., effective January 1, 2015, which extends through 2019. Under this agreement, the Academy is entitled to receive minimum royalty payments.

The Academy's minimum royalty payments under the Elsevier Inc., agreement will be approximately \$1,300,000 for the year ending December 31, 2015.

Note 10. Contingency

The Academy 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 audits. Management does not anticipate any significant adjustments that may result from such audits.

Note 11. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2014, along with the activity in the temporarily restricted funds for the year then ended, is as follows:

For the year ended December 31, 2014, the Academy allocated investment gains to its temporarily restricted net asset funds on a monthly basis. 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 (losses) are recorded within the respective temporarily restricted fund. The allocations were calculated for each fund based on the balance in each fund at the end of the month, plus the current month activities, divided by the Academy's average investment balance for the month, multiplied by the Academy's net investment gain (loss) for the month.

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 11. Temporarily Restricted Net Assets (Continued)

The Academy does not allocate 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, the Academy 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. The Academy only allocates the investment return based on the actual cash received by year-end and excludes the amount that has yet to be received.

Changes in temporarily restricted net assets during 2014 are as follows:

	Balance		Net Assets	Investment	Investment	Reclass	Transfer	Balance
	December 31,		Released from	Gain on	Gain on	Within	to	December 31,
	2013	Contributions	Restrictions	Temporarily	Temporarily	Temporarily	Permanently	2014
				Restricted	Restricted	Restricted	Restricted	
Campaign for America Kids	\$ 417,924	\$ 66,863	\$ 172,942	\$ 32,662	\$ -	\$ -	\$ -	\$ 344,507
Endowment fund	240,890	150	46,973	25,065	64,207	-	-	283,339
Berman Learning Disability Fund	131,349	-	5,157	11,432	-	-	-	137,624
E. Schlosser Lewis	229,950	31,750	41,835	19,332	46,853	-	150,000	136,050
Life Member Fund	67,396	46,765	42,674	8,063	-	-	-	79,550
Abramson Fund	78,689	-	28,000	5,800	15,302	-	-	71,791
Endowed dues	61,277	-	-	4,932	-	(9,585)	-	56,624
Amaya Fund (The Marc Amaya Award of NC)	35,742	13,145	2,656	3,443	-	-	-	49,674
International Fund - Ulku Ulgur, M.D. Int'l Scholar Fund	35,000	13,650	2,565	3,277	-	-	-	49,362
Tarjan Fund for Mental Retardation	28,851	-	1,648	2,517	-	-	-	29,720
Pilot Research Awards (Pfizer)	-	60,000	31,628	-	-	-	-	28,372
Philips Fund for Prevention	20,749	-	5,179	2,041	10,615	-	-	28,226
Simon Wile Fund - Liason Psychiatry Award	23,639	-	1,625	2,059	-	-	-	24,073
Aubrey Metcalf Fund (Northern California-ROCAP)	20,468	-	-	1,871	-	-	-	22,339
Spurlock Minority Research Fellowship - NIDA	14,998	26,000	29,004	-	-	9,585	-	21,579
John E. Schowalter Fund (Roberto)	-	14,000	-	-	-	-	-	14,000
Cancro Award	15,551	-	3,030	1,326	-	-	-	13,847
James Anthony Fund	-	12,850	-	-	-	-	-	12,850
Beatrix Hamburg Award	11,497	-	1,401	981	-	-	-	11,077
Spurlock Fund-AACAP	12,879	-	4,031	1,097	-	-	-	9,945
Klingenstein	5,670	32,000	27,857	-	-	-	-	9,813
Robinson/Cunningham	10,376	-	2,611	819	-	-	-	8,584
NIDA AACAP Resident Research Award	4,233	37,250	34,524	-	-	-	-	6,959
Paramjit T. Joshi, MD International Scholars Fund	-	-	-	14	3,975	-	-	3,989
General Resident Travel Awards (Eli Lilly)	5,995	30,375	33,695	-	-	-	-	2,675
International dund	250	440	-	904	-	-	-	1,594
Karl Menninger Plenary	39,067	-	39,067	-	-	-	-	-
	<u>\$1,512,440</u>	<u>\$ 385,238</u>	<u>\$ 558,102</u>	<u>\$ 127,635</u>	<u>\$ 140,952</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 1,458,163</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 12. Permanently Restricted and Board Designated Net Assets

The Academy follows the Codification subtopic, *Reporting 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, the Academy 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, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of the Academy 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 (losses) from the Academy's permanently restricted net assets are recorded as temporarily restricted net assets, as each permanently restricted fund has a temporarily restricted component. The Academy's permanently restricted funds are geared towards programmatic spending that falls within the mission and purpose of the Academy. The Academy 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. The Academy's endowment fund is used to support programs that promote the health and development of children, adolescents, and families. The programs which the Academy supports are ultimately decided by the Council. Board designated net assets are used to fund programs determined by the President.

Investment policy: The Academy invests all permanently restricted funds, as well as other invested funds, in a fund managed by an investment manager according to the objectives and guidelines of the Academy's Statement of Investment Objectives. The Academy's overall objective is to outperform inflation while minimizing potential losses. At least annually, the Academy'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.

The Academy's endowment funds consist of the following at December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 523,395	\$ 1,798,270	\$ 2,321,665
Board designated endowment funds	762,531	-	-	762,531
	<u>\$ 762,531</u>	<u>\$ 523,395</u>	<u>\$ 1,798,270</u>	<u>\$ 3,084,196</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 12. Permanently Restricted and Board Designated Net Assets (Continued)

Endowment fund activity for the year ended December 31, 2014, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 719,203	\$ 570,278	\$ 1,594,670	\$ 2,884,151
Contributions	-	31,900	53,600	85,500
Current year designations	3,217	-	-	3,217
Investment income, net	63,341	193,204	-	256,545
Amounts appropriated for expenditure	(23,230)	(121,987)	-	(145,217)
Transfer to permanently restricted	-	(150,000)	150,000	-
Endowment net assets, end of year	<u>\$ 762,531</u>	<u>\$ 523,395</u>	<u>\$ 1,798,270</u>	<u>\$ 3,084,196</u>

All Academy endowment funds are included with the investments as shown in Note 2. The transfer from temporarily restricted to permanently restricted, within the Academy's endowment is due to a change in donor restrictions.

Permanently restricted net assets at December 31, 2014, consist of the following endowments:

Endowment Fund	\$ 745,206
E. Schlosser Lewis Fund	693,804
Abramson Fund	177,605
Philips Fund for Prevention	103,055
Joshi International Scholars Fund	78,600
	<u>\$ 1,798,270</u>

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Notes to Consolidated Financial Statements

Note 12. Permanently Restricted and Board Designated Net Assets (Continued)

Board designated net assets activity for the year ended December 31, 2014, consists of the following programs:

	Balance December 31, 2013	Current Year Designations and Investment Income	Net Assets Released from Designations	Balance December 31, 2014
Presidential Initiative Funds				
Dr. Joshi Presidential Initiative Fund	\$ 109,999	\$ -	\$ (31,465)	\$ 78,534
Dr. Fritz Presidential Initiative Fund	40,000	-	(6,121)	33,879
	<u>149,999</u>	<u>-</u>	<u>(37,586)</u>	<u>112,413</u>
Research Initiative	<u>37,339</u>	<u>97,946</u>	<u>(84,799)</u>	<u>50,486</u>
Other funds				
Karl Menninger Plenary	168,087	14,751	(7,800)	175,038
Lawrence A. Stone, M.D. Plenary	118,654	10,453	(5,000)	124,107
Douglas Hansen Annual Review	106,463	9,345	(5,000)	110,808
Stubblefield House of Delegates	70,268	6,154	(865)	75,557
Noshpitz/Cline History Lecture	63,486	5,573	(2,500)	66,559
John F. McDermott Assistant Editor in Residence	59,100	6,225	-	65,325
John Schowalter Resident	54,539	4,787	-	59,326
Jerry M. Wiener Resident	16,677	1,465	-	18,142
Virginia Q. Anthony	61,929	7,805	(2,065)	67,669
	<u>719,203</u>	<u>66,558</u>	<u>(23,230)</u>	<u>762,531</u>
	<u>\$ 906,541</u>	<u>\$ 164,504</u>	<u>\$ (145,615)</u>	<u>\$ 925,430</u>

The Presidential Initiative Funds and the Research Initiative are not considered part of the board designated endowment funds, as these funds are not intended to be perpetual in nature, nor are they allocated investment returns.

Note 13. Funds Provided to Subrecipients

The following funds were provided to the subrecipients listed below under the K-12 federal grant program during the year ended December 31, 2014:

Washington University in St. Louis	\$ 171,134
University of Pittsburgh	164,892
Research Foundation for Mental Hygiene, Inc.	145,914
Emma Pendleton Bradely Hospital	142,593
Vanderbilt University Medical Center	141,007
Indiana University	133,526
University of Colorado – Denver	96,976
University of Kentucky Research Foundation	9,736
	<u>\$ 1,005,778</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 14. Fair Value Measurements

The Academy follows the Codification topic, *Fair Value Measurement*. The Codification applies to all assets and liabilities that are being measured and reported on a fair value basis. The Codification establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America 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, the Academy 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. The Academy had no Level 3 investments at December 31, 2014.

The table below presents the balances of assets at December 31, 2014, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Intermediate duration fund	\$ 2,465,921	\$ 2,465,921	\$ -	\$ -
Foreign large blend	960,957	960,957	-	-
Global real estate	281,832	281,832	-	-
Emerging markets	159,073	159,073	-	-
Multi-strategy equity and bond fund	1,906,883	-	1,906,883	-
Multi-strategy bond and equity fund	905,326	-	905,326	-
	<u>6,679,992</u>	<u>3,867,783</u>	<u>2,812,209</u>	<u>-</u>
Equities				
Technology	683,276	683,276	-	-
Financial	571,425	571,425	-	-
Services	568,938	568,938	-	-
Healthcare	560,584	560,584	-	-
Basic materials	280,044	280,044	-	-
Consumer Goods	269,664	269,664	-	-
Industrial Goods	225,507	225,507	-	-
Utilities	95,025	95,025	-	-
	<u>3,254,463</u>	<u>3,254,463</u>	<u>-</u>	<u>-</u>
Total assets at fair value	9,934,455	<u>\$ 7,122,246</u>	<u>\$ 2,812,209</u>	<u>\$ -</u>
Total cash held with investments	<u>79,012</u>			
Total investments	<u>\$ 10,013,467</u>			

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 14. Fair Value Measurements (Continued)

The intermediate duration fund, foreign large blend, global real estate, and emerging market mutual funds, and equities above are classified as Level 1 instruments, as there are quoted market prices in active markets for identical assets.

The multi-strategy equity and bond fund and the multi-strategy bond and equity fund have a net asset value per share. These funds are classified as Level 2 instruments, as they are able to be redeemed by the Academy at December 31, 2014, in the near term, which is generally considered to be within 90 days of the fiscal year-end.

The following presents further information regarding the composition of the multi-strategy equity and bond fund and the multi-strategy bond and equity fund at December 31, 2014:

Strategy Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy equity and bond fund	\$ 1,906,883	\$ -	Daily	N/A
Multi-strategy bond and equity fund	<u>905,326</u>	-	Daily	N/A
	<u><u>\$ 2,812,209</u></u>			

These funds pursue multiple strategies to diversify risk and reduce volatility. The multi-strategy equity and bond fund's composite portfolio includes investments in approximately 90% equities and 10% bonds. The multi-strategy bond and equity fund's composite portfolio includes investments in approximately 58% bonds and 42% equities.