American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Financial Report
December 31, 2015

Contents

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, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Child and Adolescent Psychiatry and Affiliates as of December 31, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
June 27, 2016

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Balance Sheet
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Cash	**$ 2,639,602**	$ 2,028,287
Investments	**10,188,008**	10,013,467
Receivables, net	**255,231**	616,606
Prepaid expenses	**157,693**	224,386
Inventory	**20,359**	17,417
Property and equipment, net	**1,456,526**	1,654,691
Total assets	**$ 14,717,419**	$ 14,554,854
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 880,176**	$ 1,055,389
Deferred revenue	**1,672,262**	1,730,561
Regional council dues payable	**214,498**	221,949
Total liabilities	**2,766,936**	3,007,899
Commitments and contingencies (Notes 7 and 8)		
Net assets:		
Unrestricted		
Undesignated	**8,028,762**	7,365,092
Board-designated	**805,315**	925,430
	8,834,077	8,290,522
Temporarily restricted	**1,033,136**	1,458,163
Permanently restricted	**2,083,270**	1,798,270
	11,950,483	11,546,955
Total liabilities and net assets	**$ 14,717,419**	$ 14,554,854

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2014
Revenue and support:					
Membership dues and fees	**$ 2,962,658**	**$ -**	**$ -**	**$ 2,962,658**	$ 2,601,059
Annual meeting and institutes	**2,267,567**	**-**	**-**	**2,267,567**	2,175,006
Journal	**1,435,985**	**-**	**-**	**1,435,985**	1,654,051
Grants and contributions	**832,914**	**576,644**	**25,000**	**1,434,558**	1,926,337
Publications	**268,690**	**-**	**-**	**268,690**	251,353
Member benefit royalties	**180,330**	**-**	**-**	**180,330**	176,717
Advertising	**39,780**	**-**	**-**	**39,780**	94,610
Training	**32,114**	**-**	**-**	**32,114**	11,803
Building – rental income	**30,360**	**-**	**-**	**30,360**	31,200
Investment (loss) gain, net	**(226,078)**	**(66,669)**	**-**	**(292,747)**	621,587
Other income	**4,796**	**-**	**-**	**4,796**	34,207
Net assets released from restrictions	**675,002**	**(675,002)**	**-**	**-**	-
Total revenue and support	**8,504,118**	**(165,027)**	**25,000**	**8,364,091**	9,577,930
Expenses:					
Program services:					
Annual meeting and institutes	**1,602,262**	**-**	**-**	**1,602,262**	1,693,611
Components	**938,677**	**-**	**-**	**938,677**	1,188,806
Government affairs	**775,953**	**-**	**-**	**775,953**	667,001
Special funds	**774,467**	**-**	**-**	**774,467**	566,345
Journal	**765,999**	**-**	**-**	**765,999**	729,073
Grants	**539,939**	**-**	**-**	**539,939**	1,113,438
Membership	**372,259**	**-**	**-**	**372,259**	363,484
Clinical practice	**329,760**	**-**	**-**	**329,760**	222,944
Research initiatives	**261,690**	**-**	**-**	**261,690**	290,750
Communications	**168,887**	**-**	**-**	**168,887**	140,340
AACAP News	**153,225**	**-**	**-**	**153,225**	173,722
Publications	**13,948**	**-**	**-**	**13,948**	19,479
Presidential initiatives	**7,802**	**-**	**-**	**7,802**	37,586
Total program services	**6,704,868**	**-**	**-**	**6,704,868**	7,206,579
Supporting services:					
Central office	**873,212**	**-**	**-**	**873,212**	804,377
Fundraising	**352,123**	**-**	**-**	**352,123**	320,457
Building operations	**30,360**	**-**	**-**	**30,360**	31,200
Total supporting services	**1,255,695**	**-**	**-**	**1,255,695**	1,156,034
Total expenses	**7,960,563**	**-**	**-**	**7,960,563**	8,362,613
Change in net assets before other changes	**543,555**	**(165,027)**	**25,000**	**403,528**	1,215,317
Transfer to permanently restricted net assets	**-**	**(260,000)**	**260,000**	**-**	-
Change in net assets	**543,555**	**(425,027)**	**285,000**	**403,528**	1,215,317
Net assets:					
Beginning	**8,290,522**	**1,458,163**	**1,798,270**	**11,546,955**	10,331,638
Ending	**$ 8,834,077**	**$ 1,033,136**	**$ 2,083,270**	**$ 11,950,483**	$ 11,546,955

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 403,528	$ 1,215,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments, net	491,300	(424,136)
Bad debt expense	-	70,541
Depreciation	236,734	250,083
Contribution restricted for long-term investment	(25,000)	(53,600)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	361,375	291,947
Prepaid expenses	66,693	35,441
Inventory	(2,942)	(17,417)
Increase (decrease) in:		
Accounts payable and accrued expenses	(175,213)	180,297
Deferred revenue	(58,299)	83,885
Regional council dues payable	(7,451)	(19,065)
Net cash provided by operating activities	1,290,725	1,613,293
Cash flows from investing activities:		
Purchases of property and equipment	(38,569)	(120,410)
Proceeds from sales of investments	1,049,878	1,719,332
Purchases of investments	(1,715,719)	(2,168,675)
Net cash used in investing activities	(704,410)	(569,753)
Cash flows from financing activities:		
Contribution restricted for long-term investment	25,000	53,600
Net cash provided by financing activities	25,000	53,600
Net increase in cash	611,315	1,097,140
Cash:		
Beginning	2,028,287	931,147
Ending	$ 2,639,602	$ 2,028,287

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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.

AMCAP created the AMCAP Political Action Committee (the PAC), which 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.

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 that work to increase the knowledge base about specific areas of interest for the Academy members and the public and help the Academy disseminate information.

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.

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.

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.

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.

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, unconditional 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 various securities that are exposed to 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 money market funds. The mutual funds, equities and money market funds 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. Investment gains and losses that are temporarily restricted based on donor stipulations are allocated based on the methodology detailed in Note 8.

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 $54,525 at December 31, 2015, is based on management's evaluation of the collectability of receivables.

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

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.

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.

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, 2015.

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.

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.

Use of estimates: The preparation of consolidated 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.

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

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, 2014, from which the summarized information was derived.

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, 2015.

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.

Subsequent events: The Academy evaluated subsequent events through June 27, 2016, which is the date the consolidated financial statements were available to be issued.

Note 2. Receivables

Receivables at December 31, 2015, consist of the following:

Federal grant receivables	$ 12,445
General receivables	297,311
	309,756
Less allowance for doubtful accounts	54,525
	$ 255,231

Note 3. Property and Equipment

Property and equipment at December 31, 2015, 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	$ 3,686,405	$ 2,713,577	$ 972,828	$ 185,992
Office equipment, computers and software	3 to 10 years	906,095	797,814	108,281	50,742
Land		375,417	-	375,417	-
		$ 4,967,917	$ 3,511,391	$ 1,456,526	$ 236,734

Note 4. Deferred Revenue

Deferred revenue at December 31, 2015, consists of the following:

Membership dues	$ 1,180,696
Annual meeting registration	333,114
Initial publishing royalty	123,206
Others	35,246
	$ 1,672,262

Note 5. Building Rental

During the year ended December 31, 2015, 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, 2015, was $30,360. The lease agreement calls for the Academy to receive $23,400 during the year ending December 31, 2016.

Note 6. 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, 2015, were $118,364.

Note 7. 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 has a publishing agreement with Elsevier Inc. 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 $1,100,000 for the year ending December 31, 2016.

Note 8. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2015, along with the activity in the temporarily restricted funds for the year then ended, is as follows:

For the year ended December 31, 2015, the Academy allocated investment return 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 return is 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 return for the month.

Note 8. 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 that 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 2015 are as follows:

	Balance December 31, 2014	Contributions	Net Assets Released From Restrictions	Investment Loss on Temporarily Restricted	Investment Loss on Permanently Restricted	Transfer to Permanently Restricted	Balance December 31, 2015
Campaign for America Kids	$ 344,507	$ 77,525	$ 162,740	$ (2,452)	$ -	$ -	$ 256,840
Endowment Fund	283,339	100	89,554	(7,057)	(22,099)	-	164,729
Berman Learning Disability Fund	137,624	-	5,231	(4,072)	-	-	128,321
Abramson Fund	71,791	-	2,000	(1,733)	(5,265)	-	62,793
Life Member Fund	79,550	38,216	56,199	(2,155)	-	-	59,412
International Fund - Ulku Ulgur, M.D. Int'l Scholar Fd	49,362	13,000	2,645	(1,810)	-	-	57,907
James Anthony Fund	12,850	35,952	-	(1,231)	-	-	47,571
Amaya Fund (The Marc Amaya Award of NC)	49,674	875	2,308	(1,570)	-	-	46,671
NIDA AACAP Resident Research Award	6,959	65,000	43,229	-	-	-	28,730
Tarjan Fund for Mental Retardation	29,720	-	1,780	(856)	-	-	27,084
Pilot Research Awards (Pfizer)	28,372	80,000	83,627	-	-	-	24,745
Simon Wile Fund - Liason Psychiatry Award	24,073	-	1,855	(686)	-	-	21,532
Aubrey Metcalf Fund (Northern California-ROCAP)	22,339	-	500	(647)	-	-	21,192
Spurlock Minority Research Fellowship - NIDA	21,579	26,000	28,220	-	-	-	19,359
Philips Fund for Prevention	28,226	-	6,660	(802)	(3,054)	-	17,710
Cancro Award	13,847	-	87	(422)	-	-	13,338
Klingenstein	9,813	32,000	30,594	-	-		11,219
Beatrix Hamburg Award	11,077	-	1,282	(339)	-	-	9,456
Spurlock Fund-AACAP	9,945	1,000	3,691	(231)	-	-	7,023
Robinson/Cunningham	8,584	-	3,774	(97)	-	-	4,713
International Fund	1,594	1,275	-	(78)	-	-	2,791
E. Schlosser Lewis	136,050	67,451	83,092	10,435	(20,844)	110,000	-
Endowed dues	56,624	-	56,044	(580)	-	-	-
John E. Schowalter Fund (Roberto)	14,000	136,000	1,996	1,996	-	150,000	-
Paramjit T. Joshi, MD International Scholars Fd	3,989	2,250	5,219	1,988	(3,008)	-	-
General Resident Travel Awards (Eli Lilly)	2,675	-	2,675	-	-	-	-
	$ 1,458,163	$ 576,644	$ 675,002	$ (12,399)	$ (54,270)	$ 260,000	$ 1,033,136

Note 9. 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, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 245,232	$ 2,083,270	$ 2,328,502
Board designated endowment funds	717,622	-	-	717,622
	$ 717,622	$ 245,232	$ 2,083,270	$ 3,046,124

Note 9. Permanently Restricted and Board Designated Net Assets (Continued)

Endowment fund activity for the year ended December 31, 2015, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 762,531	$ 523,395	$ 1,798,270	$ 3,084,196
Contributions	-	69,801	25,000	94,801
Current year designations	3,281	-	-	3,281
Investment loss, net	(22,994)	(51,439)	-	(74,433)
Amounts appropriated for expenditure	(25,196)	(186,525)	-	(211,721)
Transfer to permanently restricted from temporarily restricted endowment fund	-	(110,000)	110,000	-
Transfer to permanently restricted from temporarily restricted net assets	-	-	150,000	150,000
Endowment net assets, end of year	$ 717,622	$ 245,232	$ 2,083,270	$ 3,046,124

All Academy endowment funds are included with the investments as shown in Note 10. The transfers from temporarily restricted to permanently restricted are due to changes in donor restrictions.

Permanently restricted net assets at December 31, 2015, consist of the following endowments:

E. Schlosser Lewis Fund	$ 803,804
Endowment Fund	745,206
Abramson Fund	177,605
John E. Schowalter Fund	150,000
Philips Fund for Prevention	103,055
Joshi International Scholars Fund	103,600
	$ 2,083,270

Note 9. Permanently Restricted and Board Designated Net Assets (Continued)

Board designated net assets activity for the year ended December 31, 2015, consists of the following programs:

	Balance December 31, 2014	Designations and Investment Income (Loss)	Released From Designations	Balance December 31, 2015
Presidential initiative funds:				
Dr. Joshi Presidential Initiative Fund	$ 78,534	$ -	$ (78,534)	$ -
Dr. Fritz Presidential Initiative Fund	33,879	20,000	(6,608)	47,271
Dr. Wagner Presidential Initiative Fund	-	40,000	-	40,000
	112,413	60,000	(85,142)	87,271
Research initiative	50,486	41,612	(91,676)	422
Other funds:				
Karl Menninger Plenary	175,038	(5,135)	(7,800)	162,103
Lawrence A. Stone, M.D. Plenary	124,107	(3,701)	(5,000)	115,406
Douglas Hansen Annual Review	110,808	(3,279)	(5,000)	102,529
Stubblefield House of Delegates	75,557	(2,289)	(2,478)	70,790
John F. McDermott Assistant Editor in Residence	65,325	(1,099)	(361)	63,865
Noshpitz/Cline History Lecture	66,559	(1,980)	(2,500)	62,079
John Schowalter Resident	59,326	(1,828)	-	57,498
Jerry M. Wiener Resident	18,142	(553)	-	17,589
Virginia Q. Anthony	67,669	151	(2,057)	65,763
	762,531	(19,713)	(25,196)	717,622
	$ 925,430	$ 81,899	$ (202,014)	$ 805,315

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 10. Investments and Fair Value Measurements

The Academy follows the Codification topic, Fair Value Measurement. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic 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 topic 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 topic 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.

Note 10. Investments and Fair Value Measurements (Continued)

In determining the appropriate levels, the Academy performs a detailed analysis of the assets and liabilities that are subject to the topic. 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 2 or Level 3 investments at December 31, 2015.

The table below presents the balances of assets at December 31, 2015, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Money market funds	$ 26,198	$ 26,198	$ -	$ -
Mutual funds:				
Large blend	3,077,525	3,077,525	-	-
Intermediate-term bond	2,274,617	2,274,617	-	-
Foreign large blend	1,615,236	1,615,236	-	-
Tactical allocation	723,081	723,081	-	-
Foreign small/mid value	585,573	585,573	-	-
Diversified emerging markets	489,770	489,770	-	-
Small growth	474,204	474,204	-	-
Bank loan	389,778	389,778	-	-
High-yield bond	253,242	253,242	-	-
Emerging markets bond	251,553	251,553	-	-
Small blend	1,018	1,018	-	-
Global real estate	587	587	-	-
	10,136,184	10,136,184	-	-
Equities:				
Financial	6,570	6,570	-	-
Technology	4,942	4,942	-	-
Healthcare	3,632	3,632	-	-
Consumer goods	3,294	3,294	-	-
Services	2,521	2,521	-	-
Industrial goods	2,024	2,024	-	-
Basic materials	1,953	1,953	-	-
Utilities	690	690	-	-
	25,626	25,626	-	-
Total investments	$ 10,188,008	$ 10,188,008	$ -	$ -

The money market funds, mutual funds, and equities above are classified as Level 1 instruments, as there are quoted market prices in active markets for identical assets.

Note 10. Investments and Fair Value Measurements (Continued)

Net investment loss for the year ended December 31, 2015, consists of the following:

Realized and unrealized loss on investments	$ (491,300)
Dividends and interest	252,282
	(239,018)
Less management fees	53,729
	$ (292,747)