

# **American Academy of Child and Adolescent Psychiatry and Affiliates**

Financial Report  
December 31, 2016

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## **Independent Auditor's Report**

To the Council  
American Academy of Child and Adolescent Psychiatry

### **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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Washington, D.C.  
August 22, 2017

**American Academy of Child and Adolescent Psychiatry and Affiliates**

**Consolidated Balance Sheet  
December 31, 2016  
(With Comparative Totals for 2015)**

	2016	2015
<b>Assets</b>		
Cash	\$ 2,814,366	\$ 2,639,602
Investments	12,000,746	10,188,008
Receivables, net	571,310	255,231
Prepaid expenses	110,263	157,693
Inventory	21,121	20,359
Property and equipment, net	1,580,171	1,456,526
	<u>17,097,977</u>	<u>14,717,419</u>
<b>Total assets</b>	<b>\$ 17,097,977</b>	<b>\$ 14,717,419</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,440,862	\$ 880,176
Deferred revenue	1,643,430	1,672,262
Regional council dues payable	240,429	214,498
<b>Total liabilities</b>	<u>3,324,721</u>	<u>2,766,936</u>
Commitments and contingencies (Notes 5 and 6)		
Net assets:		
Unrestricted:		
Undesignated	9,761,237	8,028,762
Board-designated	806,929	805,315
	<u>10,568,166</u>	<u>8,834,077</u>
Temporarily restricted	971,570	1,033,136
Permanently restricted	2,233,520	2,083,270
	<u>13,773,256</u>	<u>11,950,483</u>
<b>Total liabilities and net assets</b>	<b>\$ 17,097,977</b>	<b>\$ 14,717,419</b>

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

**Consolidated Statement of Activities**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support:					
Annual meeting and institutes	\$ 2,993,729	\$ -	\$ -	\$ 2,993,729	\$ 2,267,567
Membership dues and fees	2,957,127	-	-	2,957,127	2,962,658
Grants and contributions	1,308,685	287,703	100,250	1,696,638	1,434,558
Journal and royalties	1,419,870	-	-	1,419,870	1,435,985
Investment gain (loss), net	726,903	235,000	-	961,903	(292,747)
Publications	298,395	-	-	298,395	268,690
Member benefit royalties	176,138	-	-	176,138	180,330
Training	80,329	-	-	80,329	32,114
Advertising	59,893	-	-	59,893	39,780
Building – rental income	10,400	-	-	10,400	30,360
Other income	8,063	-	-	8,063	4,796
Net assets released from restrictions	534,269	(534,269)	-	-	-
<b>Total revenue and support</b>	<b>10,573,801</b>	<b>(11,566)</b>	<b>100,250</b>	<b>10,662,485</b>	<b>8,364,091</b>
Expenses:					
Program services:					
Annual meeting and institutes	2,146,589	-	-	2,146,589	1,602,262
Components	926,155	-	-	926,155	938,677
Journal	820,902	-	-	820,902	765,999
Government affairs	755,295	-	-	755,295	775,953
Grants	718,974	-	-	718,974	539,939
Special funds	554,426	-	-	554,426	774,467
Membership	500,930	-	-	500,930	372,259
Research initiatives	394,720	-	-	394,720	261,690
Clinical practice	379,753	-	-	379,753	329,760
Communications	200,158	-	-	200,158	168,887
AACAP News	138,325	-	-	138,325	153,225
Presidential initiatives	26,297	-	-	26,297	7,802
Publications	14,986	-	-	14,986	13,948
<b>Total program services</b>	<b>7,577,510</b>	<b>-</b>	<b>-</b>	<b>7,577,510</b>	<b>6,704,868</b>
Supporting services:					
Central office	956,725	-	-	956,725	873,212
Fundraising	288,514	-	-	288,514	352,123
Building operations	16,963	-	-	16,963	30,360
<b>Total supporting services</b>	<b>1,262,202</b>	<b>-</b>	<b>-</b>	<b>1,262,202</b>	<b>1,255,695</b>
<b>Total expenses</b>	<b>8,839,712</b>	<b>-</b>	<b>-</b>	<b>8,839,712</b>	<b>7,960,563</b>
<b>Change in net assets before other changes</b>	<b>1,734,089</b>	<b>(11,566)</b>	<b>100,250</b>	<b>1,822,773</b>	<b>403,528</b>
Transfer to permanently restricted net assets	-	(50,000)	50,000	-	-
<b>Change in net assets</b>	<b>1,734,089</b>	<b>(61,566)</b>	<b>150,250</b>	<b>1,822,773</b>	<b>403,528</b>
Net assets:					
Beginning	8,834,077	1,033,136	2,083,270	11,950,483	11,546,955
Ending	\$ 10,568,166	\$ 971,570	\$ 2,233,520	\$ 13,773,256	\$ 11,950,483

See notes to consolidated financial statements.

**American Academy of Child and Adolescent Psychiatry and Affiliates**

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,822,773	\$ 403,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments, net	(741,271)	491,300
Bad debt expense	22,922	-
Depreciation	215,563	236,734
Contribution restricted for long-term investment	(100,250)	(25,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(339,001)	361,375
Prepaid expenses	47,430	66,693
Inventory	(762)	(2,942)
Increase (decrease) in:		
Accounts payable and accrued expenses	560,686	(175,213)
Deferred revenue	(28,832)	(58,299)
Regional council dues payable	25,931	(7,451)
<b>Net cash provided by operating activities</b>	<b>1,485,189</b>	<b>1,290,725</b>
Cash flows from investing activities:		
Purchases of property and equipment	(339,208)	(38,569)
Proceeds from sales of investments	272,211	1,049,878
Purchases of investments	(1,343,678)	(1,715,719)
<b>Net cash used in investing activities</b>	<b>(1,410,675)</b>	<b>(704,410)</b>
Cash flows from financing activities:		
Contribution restricted for long-term investment	100,250	25,000
<b>Net cash provided by financing activities</b>	<b>100,250</b>	<b>25,000</b>
<b>Net increase in cash</b>	<b>174,764</b>	<b>611,315</b>
Cash:		
Beginning	2,639,602	2,028,287
Ending	<b>\$ 2,814,366</b>	<b>\$ 2,639,602</b>

See notes to consolidated financial statements.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### 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.

**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.

**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.

**Special funds and research initiatives:** 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.

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

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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

**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 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 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 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 financial statements.

**Investments:** Investments consist of mutual funds and money market funds that are recorded in the accompanying 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 7.

**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 \$46,327 at December 31, 2016, is based on management's evaluation of the collectability of receivables.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### 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:** 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 the Academy's fiscal year. Dues payments 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, 2016.

All donor-restricted unconditional 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 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 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 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 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, support and expenses during the reporting period. Actual results could differ from those estimates.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 (GAAP). Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended December 31, 2015, 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, 2016.

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.

**Pending accounting pronouncements:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective on January 1, 2020, with early adoption permitted.

**Subsequent events:** The Academy evaluated subsequent events through August 22, 2017, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Receivables

Receivables at December 31, 2016, consist of the following:

Federal grant receivables	\$ 472,323
General receivables	145,314
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	617,637
Less allowance for doubtful accounts	46,327
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	<u>\$ 571,310</u>

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 3. Property and Equipment

Property and equipment at December 31, 2016, 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	\$ 3,973,068	\$ 2,880,525	\$ 1,092,543	\$ 166,949
Office equipment, computers and software	3 to 10 years	548,398	436,187	112,211	48,614
Land		375,417	-	375,417	-
		<u>\$ 4,896,883</u>	<u>\$ 3,316,712</u>	<u>\$ 1,580,171</u>	<u>\$ 215,563</u>

#### Note 4. Deferred Revenue

Deferred revenue at December 31, 2016, consists of the following:

Membership dues	\$ 1,257,505
Meeting registration	266,390
Initial publishing royalty	90,000
Others	29,535
	<u>\$ 1,643,430</u>

#### Note 5. 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, 2016, were \$253,897.

#### Note 6. 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.

#### Note 7. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2016, along with the activity in the temporarily restricted funds for the year then ended, is as follows:

For the year ended December 31, 2016, 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.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 7. 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 the year ended December 31, 2016, are as follows:

	Balance December 31, 2015	Contributions	Net Assets Released From Restrictions	Investment Gain on Temporarily Restricted	Investment Gain on Permanently Restricted	Transfer to Permanently Restricted	Balance December 31, 2016
Campaign for America Kids	\$ 256,840	\$ 100,957	\$ 182,269	\$ 15,533	\$ -	\$ -	\$ 191,061
Endowment Fund	164,729	601	77,728	10,319	54,711	-	152,632
Berman Learning Disability Fund	128,321	-	5,256	9,254	-	-	132,319
Abramson Fund	62,793	-	-	4,496	12,962	-	80,251
International Fund – Ulku Ulgur, MD Int'l Scholar Fund	57,907	2,100	2,545	4,279	-	-	61,741
Life Member Fund	59,412	37,717	42,354	5,170	-	-	59,945
E. Schlosser Lewis	-	44,850	42,480	2,461	54,710	-	59,541
Amaya Fund (The Marc Amaya Award of NC)	46,671	500	3,063	3,286	-	-	47,394
Tarjan Fund for Mental Retardation	27,084	-	1,756	1,941	-	-	27,269
Aubrey Metcalf Fund (Northern California – ROCAP)	21,192	-	-	1,535	-	-	22,727
Philips Fund for Prevention	17,710	-	4,133	1,133	7,523	-	22,233
Simon Wile Fund – Liason Psychiatry Award	21,532	-	1,756	1,552	-	-	21,328
Spurlock Minority Research Fellowship – NIDA	19,359	19,000	20,378	-	-	-	17,981
Pilot Research Awards (Pfizer)	24,745	20,000	28,839	-	-	-	15,906
John E. Schowalter, MD Fund (Roberto)	-	1,100	7,618	11,214	10,954	-	15,650
Cancro Academic Achievement Award	13,338	-	5,151	826	-	-	9,013
Klingenstein	11,219	32,000	34,256	-	-	-	8,963
Beatrix Hamburg Award	9,456	-	1,679	669	-	-	8,446
Spurlock Fund – AACAP	7,024	600	3,256	484	-	-	4,852
International Fund	2,791	313	-	218	-	-	3,322
James C. Harris MD Developmental Neuropsychiatry Forum	-	-	5,000	35	8,192	-	3,227
Paramjit Toor Joshi, MD International Scholars Fund	-	-	4,905	21	7,709	-	2,825
E. James Anthony Fund	47,571	2,965	2,545	3,587	-	(50,000)	1,578
Robinson/Cunningham	4,712	-	3,572	226	-	-	1,366
NIDA AACAP Resident Research Award II 2015/2016/2017	28,730	25,000	53,730	-	-	-	-
	<b>\$ 1,033,136</b>	<b>\$ 287,703</b>	<b>\$ 534,269</b>	<b>\$ 78,239</b>	<b>\$ 156,761</b>	<b>\$ (50,000)</b>	<b>\$ 971,570</b>

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 8. 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.

**American Academy of Child and Adolescent Psychiatry and Affiliates**

**Notes to Consolidated Financial Statements**

**Note 8. Permanently Restricted and Board Designated Net Assets (Continued)**

The Academy's endowment funds consist of the following at December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 336,359	\$ 2,233,520	\$ 2,569,879
Board designated endowment funds	745,840	-	-	745,840
	<u>\$ 745,840</u>	<u>\$ 336,359</u>	<u>\$ 2,233,520</u>	<u>\$ 3,315,719</u>

Endowment fund activity for the year ended December 31, 2016, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 717,622	\$ 245,232	\$ 2,083,270	\$ 3,046,124
Contributions	-	46,551	100,250	146,801
Current year designations	3,200	-	-	3,200
Investment income, net	50,108	186,440	-	236,548
Amounts appropriated for expenditure	(25,090)	(141,864)	-	(166,954)
Transfer to permanently restricted from temporarily restricted net assets	-	-	50,000	50,000
Endowment net assets, end of year	<u>\$ 745,840</u>	<u>\$ 336,359</u>	<u>\$ 2,233,520</u>	<u>\$ 3,315,719</u>

All Academy endowment funds are included with the investments as shown in Note 9. The transfers from temporarily restricted to permanently restricted are due to changes in donor restrictions.

Permanently restricted net assets at December 31, 2016, consists 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	103,850
James C. Harris MD Developmental Neuropsychiatry Forum	100,000
E. James Anthony Fund	50,000
	<u>\$ 2,233,520</u>

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 8. Permanently Restricted and Board Designated Net Assets (Continued)

Board designated net assets activity for the year ended December 31, 2016, consists of the following programs:

	Balance December 31, 2015	Current Year Designations and Investment Income	Net Assets Released From Designations	Balance December 31, 2016
Presidential initiative funds:				
Dr. Fritz Presidential Initiative Fund	\$ 47,271	\$ -	\$ (26,182)	\$ 21,089
Dr. Wagner Presidential Initiative Fund	40,000	-	-	40,000
	<u>87,271</u>	<u>-</u>	<u>(26,182)</u>	<u>61,089</u>
Research initiative	422	63,983	(64,405)	-
Other funds:				
Karl Menninger Plenary	162,103	11,222	(7,800)	165,525
Lawrence A. Stone, M.D. Plenary	115,406	8,006	(5,000)	118,412
Douglas Hansen Annual Review	102,529	7,087	(5,000)	104,616
Stubblefield House of Delegates	70,790	4,868	(2,426)	73,232
John F. McDermott Assistant Editor in Residence	63,865	4,578	(300)	68,143
Noshpitz/Cline History Lecture	62,079	4,284	(2,500)	63,863
John Schowalter Resident	57,498	4,100	-	61,598
Jerry M. Wiener Resident	17,589	1,251	-	18,840
Virginia Q. Anthony	65,763	7,912	(2,064)	71,611
	<u>717,622</u>	<u>53,308</u>	<u>(25,090)</u>	<u>745,840</u>
	<u>\$ 805,315</u>	<u>\$ 117,291</u>	<u>\$ (115,677)</u>	<u>\$ 806,929</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 9. 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 GAAP 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.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. 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, 2016.

The table below presents the balances of assets at December 31, 2016, measured at fair value on a recurring basis by level within the hierarchy:

Money market funds	\$ 17,217	\$ 17,217	\$ -	\$ -
Mutual funds:				
Large blend	3,792,913	3,792,913	-	-
Intermediate-term bond	2,556,414	2,556,414	-	-
Foreign large blend	1,862,979	1,862,979	-	-
Tactical allocation	911,822	911,822	-	-
Foreign small/mid value	663,510	663,510	-	-
Small growth	648,445	648,445	-	-
Diversified emerging markets	511,626	511,626	-	-
Floating rate funds	424,800	424,800	-	-
High-yield bond	314,952	314,952	-	-
Emerging markets bond	296,068	296,068	-	-
	<u>11,983,529</u>	<u>11,983,529</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 12,000,746</u>	<u>\$ 12,000,746</u>	<u>\$ -</u>	<u>\$ -</u>

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

Net investment gain for the year ended December 31, 2016, consists of the following:

Realized and unrealized gain on investments	\$ 741,271
Dividends and interest	<u>273,514</u>
	1,014,785
Less management fees	<u>52,882</u>
	<u>\$ 961,903</u>