American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Financial Report
December 31, 2019

Contents

RSM US LLP

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, 2019, the related consolidated statements of activities, functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's 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.

Report on Summarized Comparative Information
We have previously audited the Academy's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
December 23, 2020

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Balance Sheet
December 31, 2019
(With Comparative Totals for 2018)

		2019		2018
Assets				
Cash	**$**	**1,877,551**	$	1,301,215
Investments		**17,213,430**		14,405,934
Receivables, net		**751,444**		1,285,258
Prepaid expenses and other		**117,628**		199,956
Property and equipment, net		**1,431,645**		1,523,316
Total assets	**$**	**21,391,698**	$	18,715,679
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**1,597,994**	$	1,394,480
Deferred revenue		**1,842,158**		1,591,829
Regional council dues payable		**251,861**		273,998
Total liabilities		**3,692,013**		3,260,307
Commitments and contingencies (Note 7 and 11)				
Net assets:				
Without donor-restrictions:				
Undesignated		**12,488,449**		10,882,641
Board-designated		**881,365**		786,633
		13,369,814		11,669,274
With donor-restrictions		**4,329,871**		3,786,098
		17,699,685		15,455,372
Total liabilities and net assets	**$**	**21,391,698**	$	18,715,679

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2018
Revenue and support:				
Annual meeting and institutes	**$ 2,782,937**	**$ -**	**$ 2,782,937**	$ 2,768,181
Membership dues and fees	**3,082,473**	**-**	**3,082,473**	2,971,774
Investment gain (loss), net	**2,146,896**	**607,964**	**2,754,860**	(1,024,276)
Grants and contributions	**1,752,438**	**160,666**	**1,913,104**	1,910,854
Journal and royalties	**1,463,489**	**-**	**1,463,489**	1,342,843
Publications	**298,780**	**-**	**298,780**	361,300
Member benefit royalties	**270,000**	**-**	**270,000**	270,000
Training	**27,372**	**-**	**27,372**	62,178
Advertising	**23,701**	**-**	**23,701**	58,832
Building – rental income	**288**	**-**	**288**	509
Other income	**436**	**-**	**436**	110
Net assets released from restrictions	**224,857**	**(224,857)**	**-**	-
Total revenue and support	**12,073,667**	**543,773**	**12,617,440**	8,722,305
Expenses:				
Program services:				
Meetings and CME	**2,627,637**	**-**	**2,627,637**	2,264,605
Research	**2,111,110**	**-**	**2,111,110**	1,944,099
Clinical Practice	**1,218,268**	**-**	**1,218,268**	1,165,708
Journal	**1,049,362**	**-**	**1,049,362**	882,194
Membership and communication	**1,023,031**	**-**	**1,023,031**	1,057,397
Advocacy	**889,209**	**-**	**889,209**	672,638
Total program services	**8,918,617**	**-**	**8,918,617**	7,986,641
Supporting services:				
Administration	**984,589**	**-**	**984,589**	1,059,375
Fundraising	**469,921**	**-**	**469,921**	529,399
Total supporting services	**1,454,510**	**-**	**1,454,510**	1,588,774
Total expenses	**10,373,127**	**-**	**10,373,127**	9,575,415
Change in net assets	**1,700,540**	**543,773**	**2,244,313**	(853,110)
Net assets:				
Beginning	**11,669,274**	**3,786,098**	**15,455,372**	16,308,482
Ending	**$ 13,369,814**	**$ 4,329,871**	**$ 17,699,685**	$ 15,455,372

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services							Supporting Services				
	Meetings and CME	Research	Clinical Practice	Journal	Membership and Communications	Advocacy	Total Program Services	Administration	Fundraising	Total Supporting Services	2019 Total	2018 Total
Personnel	$ 635,319	$ 359,249	$ 540,442	$ 286,308	$ 498,026	$ 251,556	$ 2,570,900	$ 1,297,403	$ 110,447	$ 1,407,850	$ 3,978,750	$ 3,862,911
Meetings & Travel	918,547	155,559	119,628	15,153	65,503	88,760	1,363,150	251,361	136,521	387,882	1,751,032	1,443,210
Research Support	-	1,146,964	-	-	-	-	1,146,964	-	-	-	1,146,964	1,078,322
Publications, Printing & Design	131,925	6,260	9,995	354,640	195,073	7,938	705,831	44,311	10,458	54,769	760,600	795,413
Professional Services	203,299	83,795	108,835	87,810	55,800	6,893	546,432	511,164	7,802	518,966	1,065,398	704,496
Honoraria & Awards	88,700	110,710	27,500	80,000	-	17,300	324,210	83,832	99,372	183,204	507,414	554,321
Occupancy & Supplies	10,313	2,265	333	277	12,005	229	25,422	255,634	1,299	256,933	282,355	295,197
Telecommunications	71,804	1,401	2,568	466	2,043	548	78,830	165,085	75	165,160	243,990	248,586
Tax, Licenses & Fees	288	461	-	35	-	3,095	3,879	234,931	16,122	251,053	254,932	214,615
Depreciation	7,697	-	-	-	-	-	7,697	106,206	-	106,206	113,903	172,186
Insurance	7,368	-	-	-	-	-	7,368	78,224	-	78,224	85,592	86,047
Other	31,165	356	3,567	-	8,339	85,038	128,465	53,732	-	53,732	182,197	120,111
Total expenses before allocation	2,106,425	1,867,020	812,868	824,689	836,789	461,357	6,909,148	3,081,883	382,096	3,463,979	10,373,127	9,575,415
Allocation of overhead expenses	521,212	244,090	405,400	224,673	186,242	427,852	2,009,469	(2,097,294)	87,825	(2,009,469)	-	-
Total expenses	$ 2,627,637	$ 2,111,110	$ 1,218,268	$ 1,049,362	$ 1,023,031	$ 889,209	$ 8,918,617	$ 984,589	$ 469,921	$ 1,454,510	$ 10,373,127	$ 9,575,415

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 2,244,313**	$ (853,110)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments, net	**(2,412,734)**	1,337,366
Depreciation	**113,903**	172,186
Change in allowance for doubtful accounts	**1,076**	(24,585)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**532,738**	(32,156)
Prepaid expenses and other	**82,328**	(44,819)
Increase (decrease) in:		
Accounts payable and accrued expenses	**203,514**	(258,462)
Deferred revenue	**250,329**	(92,228)
Regional council dues payable	**(22,137)**	24,648
Net cash provided by operating activities	**993,330**	228,840
Cash flows from investing activities:		
Purchases of property and equipment	**(22,232)**	(38,421)
Proceeds from sales of investments	**3,762,131**	3,872,321
Purchases of investments	**(4,156,893)**	(4,246,509)
Net cash used in investing activities	**(416,994)**	(412,609)
Net increase (decrease) in cash	**576,336**	(183,769)
Cash:		
Beginning	**1,301,215**	1,484,984
Ending	**$ 1,877,551**	$ 1,301,215

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 healthcare 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 more significant programs:

Meetings and CME: 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.

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

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.

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

Advocacy: The Academy's government affairs department 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.

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

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objects of the Academy. The Academy's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors, and grantors. Some donor restrictions are temporary in nature, those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has restricted the funds be maintained in perpetuity.

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, a money market fund, and common stock 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. To adjust the carrying value of these investments, realized and unrealized gains and losses are recorded as investment (loss) gain, net on the consolidated statement of activities.

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 $16,386 at December 31, 2019, 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 less accumulated depreciation. 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.

AACAP 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 deferred revenue.

All donor-restricted unconditional contributions are reported as an increase in net assets with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 and other multi-year royalty agreements are recognized over the life of the agreements. Amounts received in advance for these agreements are recorded as deferred revenue.

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 and statement of functional expenses. Accordingly, certain overhead costs such as depreciation, insurance, occupancy and supplies 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.

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 financial statements for the year ended December 31, 2018, 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 and parking benefits, 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, 2019.

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.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Academy is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. This ASU was adopted by the Academy during the year ended December 31, 2019. Where the Academy is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019.

Pending accounting pronouncements: In May 2014, the FASB issued ASU 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 deferred the effective date of ASU 2014-09 one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2019. The Academy has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 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. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Academy is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Academy is currently evaluating the impact of this new standard on its financial statements.

Note 2. Availability and Liquidity

The Academy maintains a policy of structuring its financial assets to be available as its general operating expenses come due. The table below represents financial assets available to meet general expenditures within one year as of December 31, 2019:

Cash	$ 1,877,551
Investments	17,213,430
Receivables, net	751,444
Total financial assets available	$ 19,842,425
Less amounts not available to be used within one year:	
Regional council dues payable	251,861
Board designated funds	881,365
Net assets with donor restrictions	4,329,871
	5,463,097
Financial assets available to meet general expenditures within one year	$ 14,379,328

Note 3. Receivables

Receivables at December 31, 2019, consist of the following:

Federal grant receivables	$ 632,172
General receivables	135,658
	767,830
Less allowance for doubtful accounts	16,386
	$ 751,444

Note 4. Property and Equipment

Property and equipment at December 31, 2019, 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	$ 4,242,705	$ 3,261,008	$ 981,697	$ 79,198
Office equipment, computers and software	3 to 10 years	632,547	558,015	74,532	34,705
Land	-	375,416	-	375,416	-
		$ 5,250,668	$ 3,819,023	$ 1,431,645	$ 113,903

Note 5. Deferred Revenue

Deferred revenue at December 31, 2019, consists of the following:

Membership dues	$ 1,252,650
Initial publishing royalty	375,000
Meeting registration	166,585
Others	47,923
	$ 1,842,158

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, 2019, were $ 232,197.

Note 7. Commitments and Contingencies

Hotels, facilities and services: The Academy has entered into several contracts for hotel room rentals, convention centers, and other services relating to future meetings. In the event of cancellation, the Academy is required to pay various costs as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Legal: From time to time, the Academy may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of the management of the Academy, there are no material pending legal proceedings or claims.

Federal grants: All direct expenses and overhead rates charged under AACAP's government grants are subject to audit by a government agency. Such audits could result in claims against AACAP for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits, since management believes that AACAP is in compliance with all grant restrictions, and the amount of such liabilities, if any, cannot be determined.

Note 7. Commitments and Contingencies (Continued)

The Academy often receives conditional grants from the U.S. government and other funders. Conditional grants are recognized as earned in the year in which the Academy incurs qualified expenses which also meet the conditions. Conditional grant funds received in excess of costs incurred are recorded as deferred revenue. Qualified expenses (which also meet the conditions) incurred in excess of funds received are recorded as grants receivable. The Academy had following conditional grants as of December 31, 2019:

Funder	Total Active Conditional Grants	Amount Earned through 2019	Amount Left to Earn
Department of Health and Human Services	$ 3,890,988	$ 1,953,502	$ 1,937,486

Note 8. Net Assets with Donor Restrictions

The composition of restricted net assets as of December 31, 2019, along with the activity in the restricted funds for the year then ended, is as follows:

For the year ended December 31, 2019, the Academy allocated investment activity to its 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 restricted fund. The second is an allocation based on the balance and activity in each restricted fund held in perpetuity. In each of the two allocations described above, the allocation methodology is the same. 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 activity for the month.

The Academy does not allocate investment activity 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 activity to programs where the donors, such as but not limited to governmental entities or pharmaceutical companies, do not have expectations of receiving investment allocations or intend the funds to be subject to market losses.

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.

Note 8. Net Assets with Donor Restrictions (Continued)

	Balance December 31, 2018	Contributions	Net Assets Released from Restrictions	Investment Gain on Restricted Net Assets	Transfer to Restricted Net Assets	Balance December 31, 2019
E. Schlosser Lewis Endowment Fund	$ 913,498	$ -	$ (16,300)	$ 165,583	$ -	$ 1,062,781
Endowment Fund	801,371	-	(70,352)	129,406	-	860,425
John E. Schowalter, MD Endowment Fund	381,836	-	-	43,521	-	425,357
Campaign for America Kids	381,124	77,111	(18,462)	62,633	-	502,406
Abramson Endowment Fund	232,399	-	-	44,165	-	276,564
Marilyn B Benoit Child Maltreatment Award	191,760	-	-	32,510	-	224,270
Berman Learning Disability Fund	138,361	-	(1,660)	23,457	-	160,158
Philips Fund for Prevention Endowment Fund	125,430	-	(1,049)	21,266	-	145,647
Paramjit Toor Joshi, MD International Scholars Endowment Fund	105,817	-	-	17,938	-	123,755
James C. Harris, MD Endowment Fund	101,963	-	-	13,132	-	115,095
International Fund - Ulku Ulgur, MD Int'l Scholar Fund	65,160	-	-	11,472	-	76,632
E. James Anthony Endowment Fund	57,220	-	-	9,700	-	66,920
Life Member Fund	56,379	34,105	(47,517)	9,726	-	52,693
Amaya Fund (The Marc Amaya Award of NC)	56,225	1,700	(3,330)	9,532	-	64,127
Tarjan Developmental Disabilities Award	25,985	-	(2,178)	4,405	-	28,212
Pilot Research Awards (Pfizer)	25,368	-	-	-	-	25,368
Aubrey Metcalf Fund (Northern California-ROCAP)	24,130	-	(12)	4,090	-	28,208
Klingenstein	23,615	32,000	(37,298)	-	-	18,317
NIDA AACAP Resident Research Award II 2015-2018	22,502	-	-	-	-	22,502
Psycho Dynamic Faculty	20,413	-	-	-	-	20,413
Simon Wile Fund - Liason Psychiatry Award	19,441	-	(6,995)	3,296	-	15,742
Beatrix Hamburg Award	6,549	-	(1,906)	1,110	-	5,753
International Fund	3,771	-	-	639	-	4,410
Spurlock Minority Research Fellowship - NIDA	3,522	-	-	-	-	3,522
Cancro Academic Achievement Award	2,259	-	(2,048)	383	-	594
Spurlock Fund-AACAP	-	15,750	(15,750)	-	-	-
	$ 3,786,098	$ 160,666	$ (224,857)	$ 607,964	$ -	$ 4,329,871

Note 9. Donor Restricted Endowment 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 donor restricted net assets that are held in perpetuity (a) the original value of donor restricted cash contribution and (b) the discounted value of future donor restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions are classified as net assets with donor restrictions 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

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

Spending policy: All earnings (losses) from the Academy's donor restricted endowment net assets held in perpetuity are recorded as net assets with donor restrictions. The Academy's donor restricted endowment funds held in perpetuity are geared towards programmatic spending that falls within the mission and purpose of the Academy. The Academy analyzes the balance in the donor restricted endowment fund when evaluating the ability to spend prudently on related programs, which coincide with the purpose of the fund. The Academy's donor restricted 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 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 with 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, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 3,088,617	$ 3,088,617
Board designated endowment funds	841,097	-	841,097
	$ 841,097	$ 3,088,617	$ 3,929,714

Endowment fund activity for the year ended December 31, 2019, consists of the following:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 743,365	$ 2,719,534	$ 3,462,899
Current year designations	250	-	250
Investment income, net	134,674	456,784	591,458
Amounts appropriated for expenditure	(37,192)	(87,701)	(124,893)
Endowment net assets, end of year	$ 841,097	$ 3,088,617	$ 3,929,714

All Academy endowment funds are included with the investments as shown in Note 10.

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

Donor restricted endowment net assets to be held in perpetuity at December 31, 2019, consists of the following endowments:

E. Schlosser Lewis	$ 803,804
Endowment Fund	745,206
John E. Schowalter, MD Fund	275,000
Abramson Fund	177,605
Paramjit Toor Joshi, MD International Scholars Fund	103,950
Philips Fund for Prevention	103,055
James C. Harris, MD Developmental Neuropsychiatry Forum	100,000
E. James Anthony Fund	50,000
	$ 2,358,620

Board designated net assets activity for the year ended December 31, 2019, consists of the following programs:

	Balance December 31, 2018	Current Year Designations and Investment Income	Net Assets Released From Designations	Balance December 31, 2019
Presidential initiative funds:				
Dr. Wagner Presidential Initiative Fund	$ 40,268	$ -	$ -	$ 40,268
	40,268	-	-	40,268
Other funds:				
Noshpitz/ Cline History Lecture	63,531	11,196	-	74,727
Karl Menninger Plenary	153,939	29,116	(33,489)	149,566
Lawrence A. Stone, MD Plenary	118,404	20,922	-	139,326
Douglas Hansen Annual Review	103,341	18,368	-	121,709
Virginia Q. Anthony Fund	77,606	13,157	-	90,763
Jerry M. Wiener Resident	20,385	3,706	(10)	24,081
John F McDermott Assistant Editor in Residence	70,745	11,993	(1,733)	81,005
John E. Schowalter, MD Resident	66,645	11,299	(33)	77,911
Stubblefield House of Delegates	71,769	12,167	(1,927)	82,009
	746,365	131,924	(37,192)	841,097
	$ 786,633	$ 131,924	$ (37,192)	$ 881,365

The Presidential Initiative Funds 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 activity.

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 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.

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, 2019.

The table below presents the balances of assets at December 31, 2019, measured at fair value on a recurring basis by level within the hierarchy:

	Total All Level 1
Money market fund	$ 82,383
Mutual funds:	
Large blend	5,217,907
Intermediate-term bond	4,161,807
Tactical allocation	2,534,905
Foreign large blend	881,364
Diversified emerging markets	881,292
Foreign small cap	889,077
Small cap blend	841,179
Bank loan	162,021
Emerging markets bond	423,290
Large growth	1,055,991
High yield bond	82,214
	17,131,047
Total investments	$ 17,213,430

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

Net investment income for the year ended December 31, 2019, consists of the following:

Realized and unrealized gain on investments	$ 2,412,734
Dividends and interest	402,038
	2,814,772
Less management fees	59,912
	$ 2,754,860

Note 11. Subsequent Events

The Academy evaluated subsequent events for potential required disclosure through December 23, 2020, which is the date financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the organization operates. Resulting economic uncertainties may impact both sponsorship and membership dues revenue for 2020 with changing travel policies potentially further impacting conference revenue. It is not feasible at this time to fully quantify the effects in 2020 and 2021.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Academy. To date, the organization is experiencing moderate declines in revenue and forecasts sustained decreases through the end of the year. Financial forecasting and planning activity have been enhanced, and the organization has developed a comprehensive mitigation strategy including expenditure reductions and other actions that management and the Board of Directors have confidence will adequately address revenue reductions anticipated in 2020. The Academy has also secured a Paycheck Protection Program loan under the CARES Act of approximately $619,000 to help with payroll costs, rent and utilities. Some portion of the loan is expected to be forgiven based on actual spending on these costs and final guidance from the SBA.