

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

Consolidated Financial Report  
December 31, 2022

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## Independent Auditor's Report

The Council  
American Academy of Child and Adolescent Psychiatry

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of American Academy of Child and Adolescent Psychiatry and its affiliates (the Academy), which comprise the consolidated balance sheet as of December 31, 2022, 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, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of December 31, 2022, 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.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2024 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 Organization's internal control over financial reporting and compliance.

### ***Report on Summarized Comparative Information***

We have previously audited the Academy's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Washington, D.C.  
July 8, 2024

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

**Consolidated Balance Sheet**

**December 31, 2022**

**(With Comparative Totals for 2021)**

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| <b>Assets</b>                           |                      |                      |
| Cash                                    | \$ 3,393,904         | \$ 3,311,024         |
| Investments                             | 16,972,239           | 18,244,002           |
| Receivables, net                        | 341,765              | 175,764              |
| Grant receivable                        | 751,864              | 1,086,675            |
| Prepaid expenses and other              | 175,436              | 108,218              |
| Property and equipment, net             | 1,289,756            | 1,309,693            |
| Investments held for endowments         | 3,695,301            | 4,557,221            |
| Right-of-use asset—operating, net       | 40,826               | -                    |
|   | <u>26,661,091</u>    | <u>28,792,597</u>    |
| <b>Total assets</b>                     | <b>\$ 26,661,091</b> | <b>\$ 28,792,597</b> |
| <b>Liabilities and Net Assets</b>       |                      |                      |
| Liabilities:                            |                      |                      |
| Accounts payable and accrued expenses   | \$ 2,005,694         | \$ 1,255,465         |
| Regional council dues payable           | 20,370               | 269,878              |
| Deferred revenue                        | 1,988,424            | 1,614,711            |
| Lease liability—operating, net          | 40,826               | -                    |
|   | <u>4,055,314</u>     | <u>3,140,054</u>     |
| <b>Total liabilities</b>                | <b>4,055,314</b>     | <b>3,140,054</b>     |
| Commitments and contingencies (Note 7)  |                      |                      |
| Net assets:                             |                      |                      |
| Without donor restrictions:             |                      |                      |
| Undesignated                            | 16,693,147           | 18,251,852           |
| Board-designated                        | 870,435              | 1,148,008            |
|   | <u>17,563,582</u>    | <u>19,399,860</u>    |
| With donor restrictions                 | 5,042,195            | 6,252,683            |
|   | <u>22,605,777</u>    | <u>25,652,543</u>    |
| <b>Total liabilities and net assets</b> | <b>\$ 26,661,091</b> | <b>\$ 28,792,597</b> |

See notes to consolidated financial statements.

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

**Consolidated Statement of Activities  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

|                                       | 2022                          |                            |                    | 2021              |
|---------------------------------------|-------------------------------|----------------------------|--------------------|-------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total              |                   |
| Revenue and support:                  |                               |                            |                    |                   |
| Membership dues and fees              | \$ 3,128,564                  | \$ -                       | \$ 3,128,564       | \$ 2,977,210      |
| Investment (loss) income, net         | (2,605,035)                   | (1,174,749)                | (3,779,784)        | 2,670,918         |
| Annual meeting and institutes         | 3,234,388                     | -                          | 3,234,388          | 2,457,556         |
| Grants and contributions              | 1,540,945                     | 304,071                    | 1,845,016          | 2,129,458         |
| Journal and royalties                 | 1,563,348                     | -                          | 1,563,348          | 1,623,808         |
| PPP loan forgiveness income           | -                             | -                          | -                  | 619,440           |
| Publications                          | 274,690                       | -                          | 274,690            | 270,973           |
| Member benefit royalties              | -                             | -                          | -                  | 270,000           |
| Training                              | 700,906                       | -                          | 700,906            | 201,758           |
| Advertising                           | 54,850                        | -                          | 54,850             | 18,000            |
| Other income                          | 187,245                       | -                          | 187,245            | 142,322           |
| Net assets released from restrictions | 339,810                       | (339,810)                  | -                  | -                 |
| <b>Total revenue and support</b>      | <b>8,419,711</b>              | <b>(1,210,488)</b>         | <b>7,209,223</b>   | <b>13,381,443</b> |
| Expenses:                             |                               |                            |                    |                   |
| Program services:                     |                               |                            |                    |                   |
| Research                              | 2,224,838                     | -                          | 2,224,838          | 2,072,422         |
| Meetings and CME                      | 2,233,885                     | -                          | 2,233,885          | 2,009,872         |
| Journal                               | 953,614                       | -                          | 953,614            | 935,626           |
| Membership and communication          | 824,019                       | -                          | 824,019            | 1,014,579         |
| Clinical practice                     | 627,412                       | -                          | 627,412            | 843,293           |
| Advocacy                              | 798,438                       | -                          | 798,438            | 586,084           |
| <b>Total program services</b>         | <b>7,662,206</b>              | <b>-</b>                   | <b>7,662,206</b>   | <b>7,461,876</b>  |
| Supporting services:                  |                               |                            |                    |                   |
| Administration                        | 2,348,813                     | -                          | 2,348,813          | 1,147,560         |
| Fundraising                           | 244,970                       | -                          | 244,970            | 295,723           |
| <b>Total supporting services</b>      | <b>2,593,783</b>              | <b>-</b>                   | <b>2,593,783</b>   | <b>1,443,283</b>  |
| <b>Total expenses</b>                 | <b>10,255,989</b>             | <b>-</b>                   | <b>10,255,989</b>  | <b>8,905,159</b>  |
| <b>Change in net assets</b>           | <b>(1,836,278)</b>            | <b>(1,210,488)</b>         | <b>(3,046,766)</b> | <b>4,476,284</b>  |
| Net assets:                           |                               |                            |                    |                   |
| Beginning                             | 19,399,860                    | 6,252,683                  | 25,652,543         | 21,176,259        |
| Ending                                | \$ 17,563,582                 | \$ 5,042,195               | \$ 22,605,777      | \$ 25,652,543     |

See notes to consolidated financial statements.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022 (With Comparative Totals for 2021)

|                                   | 2022                |                     |                   |                                  |                      |                   |                           |                     |                   |                              |                      | 2021<br>Total       |
|-----------------------------------|---------------------|---------------------|-------------------|----------------------------------|----------------------|-------------------|---------------------------|---------------------|-------------------|------------------------------|----------------------|---------------------|
|                                   | Program Services    |                     |                   |                                  |                      |                   | Total Program<br>Services | Supporting Services |                   | Total Supporting<br>Services | Total                |                     |
|                                   | Research            | Meetings<br>and CME | Journal           | Membership and<br>Communications | Clinical<br>Practice | Advocacy          |                           | Administration      | Fundraising       |                              |                      |                     |
| Personnel                         | \$ 380,946          | \$ 839,337          | \$ 329,020        | \$ 475,973                       | \$ 400,230           | \$ 357,739        | \$ 2,783,245              | \$ 1,350,394        | \$ 106,868        | \$ 1,457,262                 | \$ 4,240,507         | \$ 4,065,100        |
| Professional services             | 40,259              | 221,753             | 14,641            | 55,861                           | 70,456               | 238,856           | 641,826                   | 420,914             | 44,095            | 465,009                      | 1,106,835            | 941,292             |
| Meetings and travel               | 125,265             | 676,090             | 37,645            | 44,694                           | 51,645               | 78,807            | 1,014,146                 | 110,788             | 46,993            | 157,781                      | 1,171,927            | 477,248             |
| Publications, printing and design | 8,807               | 72,773              | 378,565           | 128,703                          | 4,269                | 4,194             | 597,311                   | 10,473              | 11,987            | 22,460                       | 619,771              | 568,070             |
| Occupancy and supplies            | 26,462              | 56,530              | 21,880            | 36,303                           | 24,750               | 22,997            | 188,922                   | 85,763              | 8,146             | 93,909                       | 282,831              | 259,919             |
| Telecommunications                | 11,917              | 111,146             | 9,803             | 15,660                           | 11,757               | 10,211            | 170,494                   | 39,842              | 3,445             | 43,287                       | 213,781              | 187,236             |
| Honoraria and awards              | 351,335             | 147,413             | 124,314           | 13,793                           | 27,670               | 26,370            | 690,895                   | 43,281              | -                 | 43,281                       | 734,176              | 584,590             |
| Research support                  | 1,242,435           | -                   | -                 | -                                | -                    | -                 | 1,242,435                 | -                   | -                 | -                            | 1,242,435            | 1,274,748           |
| Tax, licenses and fees            | 19,300              | 40,182              | 15,876            | 23,511                           | 19,040               | 21,384            | 139,293                   | 99,120              | 17,757            | 116,877                      | 256,170              | 229,496             |
| Depreciation                      | 8,133               | 19,251              | 6,690             | 9,907                            | 8,023                | 6,968             | 58,972                    | 27,190              | 2,351             | 29,541                       | 88,513               | 92,475              |
| Insurance                         | 5,368               | 25,165              | 4,416             | 6,540                            | 5,296                | 4,600             | 51,385                    | 52,370              | 1,552             | 53,922                       | 105,307              | 82,438              |
| Other                             | 4,611               | 24,245              | 10,764            | 13,074                           | 4,276                | 26,312            | 83,282                    | 108,678             | 1,776             | 110,454                      | 193,736              | 142,547             |
| <b>Total expenses</b>             | <b>\$ 2,224,838</b> | <b>\$ 2,233,885</b> | <b>\$ 953,614</b> | <b>\$ 824,019</b>                | <b>\$ 627,412</b>    | <b>\$ 798,438</b> | <b>\$ 7,662,206</b>       | <b>\$ 2,348,813</b> | <b>\$ 244,970</b> | <b>\$ 2,593,783</b>          | <b>\$ 10,255,989</b> | <b>\$ 8,905,159</b> |

See notes to consolidated financial statements.

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

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

|   | 2022               | 2021             |
|---|--------------------|------------------|
| Cash flows from operating activities:   |                    |                  |
| Change in net assets  | \$ (3,046,766)     | \$ 4,476,284     |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                    |                  |
| Realized and unrealized loss (gain) on investments, net                                     | 4,208,635          | (2,226,021)      |
| Depreciation  | 88,513             | 92,475           |
| Amortization of operating right-of-use asset  | 6,696              | -                |
| Change in allowance for doubtful accounts   | 31,683             | (12,070)         |
| Contributions restricted for long-term investment   | (70,759)           | (629,983)        |
| Changes in assets and liabilities:  |                    |                  |
| (Increase) decrease in:   |                    |                  |
| Receivables   | (197,684)          | (155,067)        |
| Grant receivables   | 334,811            | (292,433)        |
| Prepaid expenses and other  | (67,218)           | 50,228           |
| Increase (decrease) in:   |                    |                  |
| Accounts payable and accrued expenses   | 750,229            | (111,920)        |
| Regional council dues payable   | (249,508)          | 267,964          |
| Deferred revenue  | 373,713            | (9,574)          |
| Refundable advance  | -                  | (619,440)        |
| Lease liability—operating, net  | (6,696)            | -                |
| <b>Net cash provided by operating activities</b>  | <b>2,155,649</b>   | <b>830,443</b>   |
| Cash flows from investing activities:   |                    |                  |
| Purchases of property and equipment   | (68,576)           | (23,949)         |
| Proceeds from sales of investments  | 8,709,997          | 7,511,212        |
| Purchases of investments  | (10,784,949)       | (8,378,996)      |
| <b>Net cash used in investing activities</b>  | <b>(2,143,528)</b> | <b>(891,733)</b> |
| Cash flows from financing activities:   |                    |                  |
| Proceeds from contributions restricted for long-term investment                             | 70,759             | 629,983          |
| <b>Net cash provided by financing activities</b>  | <b>70,759</b>      | <b>629,983</b>   |
| <b>Net increase in cash</b>   | <b>82,880</b>      | <b>568,693</b>   |
| Cash:   |                    |                  |
| Beginning   | 3,311,024          | 2,742,331        |
| Ending  | \$ 3,393,904       | \$ 3,311,024     |
| Supplemental disclosures of cash flow information:  |                    |                  |
| Operating cash outflows-payments on operating lease   | \$ 7,668           | \$ -             |
| Addition to right-of-use assets during 2022   | \$ 47,522          | \$ -             |
| Addition to operating lease liabilities during 2022   | \$ 47,522          | \$ -             |

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 more significant programs:

**Research:** Through a number of federal and nonfederal 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.

**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.

**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.

**Membership and communication:** The Membership department is also responsible for the development and maintenance of member benefits and services, and for 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.

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

**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.

## 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)

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 presentation:** The consolidated financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities topics of the ASC, 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 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 are 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, whereby 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 consolidated financial statements.

**Investments:** Investments consist of mutual funds and a money market fund 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 income, 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 \$33,117 at December 31, 2022, is based on management's evaluation of the collectability of receivables.

**Grants receivable:** Grants receivable are generated from prime and subcontracting arrangements with federal governmental agencies. For grants recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made. For grants determined to be conditional awards or grants, recognition is made when the conditions on which they depend are substantially met. The Academy considers the grants receivable fully collectible and due within one year.

## 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 is recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives of three to 40 years. The Academy capitalizes all property and equipment purchased with a cost of \$2,000 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.

**Paycheck Protection Program loan:** The Academy received proceeds from the Paycheck Protection Program (PPP) during the year ended December 31, 2020. The Association initially recognized the funds as a refundable advance under the provisions of ASC 958-605 and was presented as a liability on the accompanying consolidated balance sheet. The Academy reduced the refundable advance balance and recognize revenue during the year ended December 31, 2021, when the forgiveness barrier was substantially met. The Academy considers the barrier to be substantially met when forgiveness determination was received. The Academy elected this treatment and met the PPP's eligibility criteria for forgiveness.

**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:** The Academy's primary revenue from contracts with customers consists of membership dues and fees, annual meetings and institutes, journal and royalties, and publications. The Academy's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The Academy earns the majority of its revenue in the United States and its customers are primarily its members.

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.

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 and other multiyear 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.

The Academy's revenue from contracts with customers are generally for less than one year. The contracts do not include significant financing components and do not have variable considerations. The Academy did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. The primary factor affecting future revenue and cash inflows is the individual members of the Academy discontinuing their membership. Management does not believe there is a material risk of loss for future revenue and cash inflows related to individual members discontinuing their membership.

## 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)

The Academy receives federal and nonfederal grants. Unconditional federal and nonfederal grants are recognized when received. Federal and nonfederal grants determined to be conditional are recognized as revenue as services are performed and costs are incurred as the barrier to recognition and then follow the policy for unconditional contributions. Conditional grants are recognized when the barriers to recognition are substantially met. Such grant funds received prior to barriers being met are reported as deferred revenue. Conditional grants are classified as net assets without donor restrictions if at the time of revenue recognition, no time or purpose restrictions remain after meeting conditions.

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 consolidated statement of activities as net assets released from restrictions.

**Leases:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases, Topic 842*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial positions as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Academy adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, The Academy has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with The Academy's historical accounting treatment under ASC Topic 840, *Leases*.

The Academy elected the package of practical expedients under the transition guidance within Topic 842, in which The Academy does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Academy has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Academy determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) The Academy obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Academy also considers whether its service arrangements include the right to control the use of an asset.

## 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)

The Academy made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at January 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, The Academy made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term of the remaining term for leases existing upon the adoption of Topic 842.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Academy's pre-existing operating leases of \$47,522 and \$47,522, respectively, on January 1, 2022. The adoption of the new lease standard did not materially impact the Academy's consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of consolidated net assets.

**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 consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

**Prior year information:** The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Academy's consolidated financial statements for the year ended December 31, 2021, 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, 2022.

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 pronouncement:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in allowance for credit losses are recorded in the consolidated statement of activities as the

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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

amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 31, 2022, including interim periods within those fiscal years. ASU 2016-13 is effective for the Academy as of January 1, 2023. The Academy is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

**Subsequent events:** The Academy has evaluated subsequent events through July 8, 2024, the date on which the consolidated financial statements were available to be issued.

**Reclassifications:** Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between the periods presented. The reclassifications had no impact on previously reported net assets.

#### 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, 2022:

|   |                      |
|---|----------------------|
| Cash  | \$ 3,393,904         |
| Investments   | 16,972,239           |
| Receivables   | 341,765              |
| Investments held for endowments   | 3,695,301            |
| Total financial assets available  | <u>24,403,209</u>    |
| Less amounts not available to be used within one year:                  |                      |
| Regional council dues payable   | 20,370               |
| Board-designated funds  | 870,435              |
| Net assets with donor restrictions                                      | 5,042,195            |
|   | <u>5,933,000</u>     |
| Financial assets available to meet general expenditures within one year | <u>\$ 18,470,209</u> |

#### Note 3. Property and Equipment

Property and equipment at December 31, 2022, 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                | 10-40 years            | \$ 4,272,546        | \$ 3,455,610             | \$ 816,936          | \$ 62,261            |
| Office equipment, computers and software | 3-10 years             | 738,395             | 640,992                  | 97,403              | 26,252               |
| Land                                     | -                      | 375,417             | -                        | 375,417             | -                    |
|  |                        | <u>\$ 5,386,358</u> | <u>\$ 4,096,602</u>      | <u>\$ 1,289,756</u> | <u>\$ 88,513</u>     |

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Deferred Revenue

Deferred revenue at December 31, 2022, consists of the following:

|                                |                     |
|--------------------------------|---------------------|
| Membership dues                | \$ 1,613,041        |
| Initial publishing royalty     | 214,287             |
| Meeting registration and other | 161,096             |
|                                | <u>\$ 1,988,424</u> |

#### Note 5. Lease

The Academy has an operating lease for several copiers. The term of the lease is for five years. Rent expense amounted to \$7,668 for the year ended December 31, 2022.

Supplemental balance sheet information related to the lease is as follows:

|  |                  |
|--|------------------|
| Operating leases:                              |                  |
| Lease right-of-use asset, net                  | <u>\$ 40,826</u> |
| Lease liability, net                           | <u>\$ 40,826</u> |
| Weighted-average remaining lease term (years): |                  |
| Operating lease                                | 4.25             |
| Weighted-average discount rate:                |                  |
| Operating lease                                | 2.91%            |

Future discounted cash flows for each of the next five years and reconciliation to the lease liability recognized on the consolidated balance sheet at December 31, 2022, is as follows:

|                               |                  |
|-------------------------------|------------------|
| Years ending December 31:     |                  |
| 2023                          | \$ 10,224        |
| 2024                          | 10,224           |
| 2025                          | 10,224           |
| 2026                          | 10,224           |
| 2027                          | 2,556            |
| Future minimum lease payments | <u>43,452</u>    |
| Less imputed interest         | <u>(2,626)</u>   |
| Discounted lease liability    | <u>\$ 40,826</u> |

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### 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, 2022, were \$320,263.

#### Note 7. Commitments and Contingencies

**Hotel contracts:** 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 may be 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 the Academy's government grants are subject to audit by a government agency. Such audits could result in claims against Academy 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 Academy is in compliance with all grant restrictions, and the amount of such liabilities, if any, cannot be determined.

#### Note 8. Conditional Grants

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 the following conditional grants as of December 31, 2022:

| Funder                                  | Total Active<br>Conditional Grants | Amount Earned<br>Through 2022 | Amount<br>Left to Earn |
|---|------------------------------------|-------------------------------|------------------------|
| Department of Health and Human Services | \$ 10,114,077                      | \$ 3,382,206                  | \$ 6,731,871           |

#### Note 9. Net Assets With Donor Restrictions

The composition of restricted net assets as of December 31, 2022, along with the activity in the restricted funds for the year then ended, is as follows:

For the year ended December 31, 2022, 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's activities, divided by the Academy's average investment balance for the month, multiplied by the Academy's net investment activity for the month.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 9. Net Assets With Donor Restrictions (Continued)

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 multiyear 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.

|  | Balance<br>December 31,<br>2021 | Contributions     | Net Assets<br>Released<br>from<br>Restrictions | Investment<br>Loss on<br>Restricted<br>Net Assets | Balance<br>December 31,<br>2022 |
|--|---------------------------------|-------------------|--|---|---------------------------------|
| E. Schlosser Lewis Endowment Fund                                | \$ 1,276,033                    | \$ 5,000          | \$ (26,346)                                    | \$ (234,994)                                      | \$ 1,019,693                    |
| General Endowment Fund   | 1,048,209                       | 700               | (8,650)  | (219,458)   | 820,801                         |
| Campaign for America Kids  | 686,701                         | 69,006            | (125,196)                                      | (130,391)   | 500,120                         |
| John E. Schowalter, MD Endowment Fund                            | 538,070                         | -                 | (229)  | (100,791)   | 437,050                         |
| Carlson Psychopharmacology Research Award                        | 340,993                         | 70,759            | -  | (64,846)  | 346,906                         |
| Leatherman-Ritvo   | 382,246                         | 550               | (794)  | (71,522)  | 310,480                         |
| Abramson Endowment Fund  | 363,017                         | -                 | (407)  | (73,308)  | 289,302                         |
| Marilyn B Benoit Child Maltreatment Award                        | 261,956                         | -                 | (9,546)  | (48,997)  | 203,413                         |
| Berman Learning Disability Fund                                  | 193,456                         | -                 | (5,944)  | (36,065)  | 151,447                         |
| Philips Fund for Prevention Endowment Fund                       | 190,137                         | -                 | (3,210)  | (35,584)  | 151,343                         |
| Paramjit Toor Joshi, MD International Scholars<br>Endowment Fund | 169,094                         | -                 | (5,044)  | (31,606)  | 132,444                         |
| James C. Harris, MD Developmental<br>Neuropsychiatry Forum       | 153,399                         | -                 | (6,885)  | (28,803)  | 117,711                         |
| Life Member Fund   | 141,980                         | 43,691            | (52,822)                                       | (28,917)  | 103,932                         |
| Irving Berlin Award  | 100,000                         | -                 | -  | -   | 100,000                         |
| E. James Anthony Endowment Fund                                  | 95,821                          | 500               | (2,544)  | (17,657)  | 76,120                          |
| International Fund—Ulku Ulgur, MD Int'l Scholar Fund             | 95,716                          | -                 | (2,544)  | (17,860)  | 75,312                          |
| Amaya Fund (The Marc Amaya Award of NC)                          | 81,194                          | 4,915             | (1,748)  | (15,734)  | 68,627                          |
| Aubrey Metcalf Fund (Northern California-ROCAP)                  | 38,988                          | -                 | -  | (7,304)   | 31,684                          |
| Spurlock Minority Research Fellowship—NIDA                       | 7,436                           | 41,000            | (17,373)                                       | -   | 31,063                          |
| Tarjan Developmental Disabilities Award                          | 34,776                          | -                 | (2,366)  | (6,475)   | 25,935                          |
| Klingenstein   | 2,475                           | 32,950            | (21,911)                                       | -   | 13,514                          |
| Simon Wile Fund—Liaison Psychiatry Award                         | 17,808                          | -                 | (2,187)  | (3,285)   | 12,336                          |
| NIDA AACAP Resident Research Award II 2017/18                    | 17,942                          | 15,000            | (23,339)                                       | -   | 9,603                           |
| Pilot Research Awards (Pfizer)                                   | 3,886                           | 20,000            | (15,243)                                       | -   | 8,643                           |
| Beatrix Hamburg Award  | 5,325                           | -                 | (278)  | (998)   | 4,049                           |
| Cancro Academic Achievement Award                                | 821                             | -                 | -  | (154)   | 667                             |
| Psychodynamic Faculty  | 5,204                           | -                 | (5,204)  | -   | -                               |
|  | <u>\$ 6,252,683</u>             | <u>\$ 304,071</u> | <u>\$ (339,810)</u>                            | <u>\$ (1,174,749)</u>                             | <u>\$ 5,042,195</u>             |

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### **Note 10. Donor-Restricted Endowment and Board-Designated Net Assets**

The Academy follows the ASC subtopic, Reporting Endowment Funds. The ASC 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 the District of Columbia enacted version of 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

**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 Academy. 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 Academy.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 10. Donor-Restricted Endowment and Board-Designated Net Assets (Continued)

**Underwater policy:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Academy. There were no such deficiencies at December 31, 2022.

The Academy's endowment funds consist of the following at December 31, 2022:

|                                  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|----------------------------------|-------------------------------|----------------------------|---------------------|
| Donor-restricted endowment funds | \$ -                          | \$ 3,695,301               | \$ 3,695,301        |
| Board-designated endowment funds | 870,435                       | -                          | 870,435             |
|                                  | <u>\$ 870,435</u>             | <u>\$ 3,695,301</u>        | <u>\$ 4,565,736</u> |

Endowment fund activity for the year ended December 31, 2022, consists of the following:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---|-------------------------------|----------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 1,148,008                  | \$ 4,557,221               | \$ 5,705,229        |
| Grants and contributions                | -                             | 70,759                     | 70,759              |
| Current year designations               | 12,700                        | -                          | 12,700              |
| Investment loss, net                    | (215,143)                     | (878,569)                  | (1,093,712)         |
| Amounts appropriated for expenditure    | (75,130)                      | (54,110)                   | (129,240)           |
| Endowment net assets, end of year       | <u>\$ 870,435</u>             | <u>\$ 3,695,301</u>        | <u>\$ 4,565,736</u> |

Donor-restricted endowment net assets to be held in perpetuity (corpus amounts) at December 31, 2022, consist of the following:

|  | Corpus              | Accumulated<br>Earnings | Total               |
|--|---------------------|-------------------------|---------------------|
| E. Schlosser Lewis   | \$ 814,308          | \$ 200,385              | \$ 1,014,693        |
| General Endowment Fund                                     | 745,515             | 74,787                  | 820,302             |
| John E. Schowalter, MD Fund                                | 275,100             | 161,950                 | 437,050             |
| Carlson Psychopharmacology Research Award                  | 411,752             | (64,846)                | 346,906             |
| Leatherman-Ritvo   | 250,000             | 59,930                  | 309,930             |
| Abramson Fund  | 177,805             | 111,497                 | 289,302             |
| Paramjit Toor Joshi, MD International Scholars Fund        | 105,300             | 27,144                  | 132,444             |
| Philips Fund for Prevention                                | 103,055             | 48,288                  | 151,343             |
| James C. Harris, MD Developmental<br>Neuropsychiatry Forum | 100,000             | 17,711                  | 117,711             |
| E. James Anthony Fund                                      | 50,500              | 25,120                  | 75,620              |
|  | <u>\$ 3,033,335</u> | <u>\$ 661,966</u>       | <u>\$ 3,695,301</u> |

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 10. Donor-Restricted Endowment and Board-Designated Net Assets (Continued)

Board-designated net assets activity for the year ended December 31, 2022, consists of the following programs:

|   | Balance<br>December 31,<br>2021 | Current Year<br>Designations<br>and Investment<br>Loss | Net Assets<br>Released<br>From<br>Designations | Balance<br>December 31,<br>2022 |
|---|---------------------------------|--|--|---------------------------------|
| Noshpitz/ Cline History Lecture                   | \$ 99,583                       | \$ (18,742)  | \$ (5,355)                                     | \$ 75,486                       |
| Karl Menninger Plenary                            | 188,404                         | (35,300)   | (54,896)                                       | 98,208                          |
| Lawrence A. Stone, MD Plenary                     | 188,251                         | (35,410)   | (6,735)  | 146,106                         |
| Douglas Hansen Annual Review                      | 168,219                         | (31,513)   | -  | 136,706                         |
| Virginia Q. Anthony Fund                          | 125,470                         | (21,266)   | (161)  | 104,043                         |
| Jerry M. Wiener Resident                          | 34,348                          | (5,934)  | -  | 28,414                          |
| John F McDermott Assistant Editor<br>in Residence | 122,701                         | (12,993)   | (1,774)  | 107,934                         |
| John E. Schowalter, MD Resident                   | 107,684                         | (20,173)   | -  | 87,511                          |
| Stubblefield House of Delegates                   | 113,348                         | (21,112)   | (6,209)  | 86,027                          |
|   | <u>\$ 1,148,008</u>             | <u>\$ (202,443)</u>                                    | <u>\$ (75,130)</u>                             | <u>\$ 870,435</u>               |

#### Note 11. Investments and Fair Value Measurements

The Academy follows the ASC 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 U.S. GAAP and expands disclosure about fair value measurements. The topic enables the reader of the consolidated 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, 2022.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 11. Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets at December 31, 2022, measured at fair value on a recurring basis by level within the hierarchy:

|                                      | <u>Total All<br/>Level 1</u> |
|--------------------------------------|------------------------------|
| Money market fund                    | \$ 211,999                   |
| Mutual funds:                        |                              |
| Large Blend                          | 9,111,618                    |
| Intermediate-Term Bond               | 3,706,611                    |
| Tactical Allocation                  | 3,094,402                    |
| World Large-Stock Growth             | 1,016,743                    |
| Foreign Large Blend                  | 771,327                      |
| Large Growth                         | 724,323                      |
| Small Cap International              | 661,795                      |
| Emerging Markets Bond                | 539,872                      |
| Bank Loan                            | 518,605                      |
| High Yield Bond                      | 264,927                      |
| Commodities Broad Basket             | 44,208                       |
| Large Cap                            | 1,110                        |
|                                      | <u>20,455,541</u>            |
| Total investments                    | 20,667,540                   |
| Less investments held for endowments | <u>(3,695,301)</u>           |
| Investments                          | <u>\$ 16,972,239</u>         |

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

Net investment loss for the year ended December 31, 2022, consists of the following:

|  |                       |
|--|-----------------------|
| Realized and unrealized loss on investments, net | \$ (4,208,635)        |
| Dividends and interest                           | 530,623               |
|  | <u>(3,678,012)</u>    |
| Less management fees                             | 101,772               |
|  | <u>\$ (3,779,784)</u> |