

American Academy Of Child And Adolescent Psychiatry

Financial Report
December 31, 2011

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Independent Auditor's Report

To the Financial Planning Committee
American Academy of Child and Adolescent Psychiatry
Washington, D.C.

We have audited the accompanying balance sheet of the American Academy of Child and Adolescent Psychiatry (AACAP) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AACAP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from AACAP's 2010 financial statements and, in our report dated September 23, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AACAP's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the American Academy of Child and Adolescent Psychiatry as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2012, on our consideration of the American Academy of Child and Adolescent Psychiatry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey LLP

Vienna, Virginia
August 9, 2012

American Academy Of Child And Adolescent Psychiatry

Balance Sheet

December 31, 2011

(With Comparative Totals For 2010)

Assets	2011	2010
Cash And Cash Equivalents	\$ 948,902	\$ 2,306,257
Investments	7,002,311	6,465,906
Receivables, net	532,393	649,755
Prepaid Expenses	161,488	92,966
Promises To Give, net	40,707	47,207
Property And Equipment, net	2,181,296	2,378,343
	<u>\$ 10,867,097</u>	<u>\$ 11,940,434</u>

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 739,250	\$ 1,294,317
Deferred revenue	1,985,789	1,975,129
Regional council dues payable	256,665	11,407
Note payable	159,837	266,635
	<u>3,141,541</u>	<u>3,547,488</u>

Commitments And Contingencies (Notes 9, 10, and 11)

Net Assets

Unrestricted

Undesignated 4,029,253 4,427,392

Board-designated 791,742 171,748

4,820,995 4,599,140

Temporarily restricted 1,334,891 2,224,136

Permanently restricted 1,569,670 1,569,670

7,725,556 8,392,946

\$ 10,867,097 \$ 11,940,434

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Activities
Year Ended December 31, 2011
(With Comparative Totals For 2010)

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue and support:					
Membership dues and fees	\$ 2,359,985	\$ -	\$ -	\$ 2,359,985	\$ 2,080,207
Grants and contributions	1,754,254	526,579	-	2,280,833	1,503,301
Annual meeting and institutes	1,707,078	-	-	1,707,078	2,774,729
Journal	1,330,649	-	-	1,330,649	1,251,723
Publications	210,852	-	-	210,852	215,397
Member benefit royalties	167,375	-	-	167,375	181,544
Advertising	106,470	-	-	106,470	97,985
Building – rental income	30,900	-	-	30,900	15,948
Other income	28,503	-	-	28,503	13,397
Training	22,941	-	-	22,941	59,423
Investment (loss) gain, net	(111,529)	(153,169)	-	(264,698)	590,245
Net assets released from restrictions	1,262,655	(1,262,655)	-	-	-
Total revenue and support	8,870,133	(889,245)	-	7,980,888	8,783,899
Expenses:					
Program services:					
Annual meeting and institutes	1,321,101	-	-	1,321,101	1,481,662
Grants	1,257,722	-	-	1,257,722	844,359
Special Funds	822,398	-	-	822,398	659,701
Components	801,482	-	-	801,482	717,657
Journal	543,541	-	-	543,541	534,384
Government affairs	272,842	-	-	272,842	260,618
Membership	207,569	-	-	207,569	226,755
Research initiatives	196,938	-	-	196,938	177,185
AACAP News	177,194	-	-	177,194	173,674
Clinical practice	153,500	-	-	153,500	205,135
Publications	89,786	-	-	89,786	11,844
Communications	71,056	-	-	71,056	94,226
Presidential initiatives	27,424	-	-	27,424	75,515
Total program services	5,942,553	-	-	5,942,553	5,462,715
Supporting services:					
Central office	2,203,434	-	-	2,203,434	2,238,950
Building operations	395,674	-	-	395,674	417,993
Fundraising	106,617	-	-	106,617	137,050
Total supporting services	2,705,725	-	-	2,705,725	2,793,993
Total expenses	8,648,278	-	-	8,648,278	8,256,708
Change in net assets	221,855	(889,245)	-	(667,390)	527,191
Net assets:					
Beginning	4,599,140	2,224,136	1,569,670	8,392,946	7,865,755
Ending	\$ 4,820,995	\$ 1,334,891	\$ 1,569,670	\$ 7,725,556	\$ 8,392,946

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Cash Flows
Year Ended December 31, 2011
(With Comparative Totals For 2010)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (667,390)	\$ 527,191
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized loss (gain) on investments, net	412,685	(422,879)
Bad debt expense	9,374	46,731
Depreciation	308,394	302,148
Contributions restricted to investment in perpetuity	-	(1,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	107,988	(30,535)
Prepaid expenses	(68,522)	19,704
Promises to give	6,500	23,583
Increase (decrease) in:		
Accounts payable and accrued expenses	(555,067)	696,350
Deferred revenue	10,660	5,549
Regional council dues payable	245,258	(194,668)
Net cash (used in) provided by operating activities	(190,120)	972,174
Cash Flows From Investing Activities		
Purchases of property and equipment	(111,347)	(29,017)
Proceeds from sales of investments	3,155,306	3,764,734
Purchases of investments	(4,104,396)	(3,131,577)
Net cash (used in) provided by investing activities	(1,060,437)	604,140
Cash Flows From Financing Activities		
Principal payments on note payable	(106,798)	(103,076)
Contributions restricted to investment in perpetuity	-	1,000
Net cash used in financing activities	(106,798)	(102,076)
Net (decrease) increase in cash and cash equivalents	(1,357,355)	1,474,238
Cash And Cash Equivalents		
Beginning	2,306,257	832,019
Ending	\$ 948,902	\$ 2,306,257
Supplemental Disclosure Of Cash Flow Information		
Cash paid for interest	\$ 11,598	\$ 13,402

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The 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.

The following are descriptions of AACAP's significant programs:

Annual meeting and institutes: The annual meeting presents the latest research and clinical practice in the field of child and adolescent psychiatry to members and non-members. Institutes at the annual meeting, the January institute, and the lifelong learning institute provide continuing professional education on the latest topics in the field.

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

Special Funds: AACAP 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.

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

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

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

A summary of AACAP's significant accounting policies follows:

Basis of accounting: The financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned 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 Non-Profit Entities Topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, AACAP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: For purposes of reporting cash flows, AACAP considers all money market funds to be cash equivalents. All certificates of deposit, regardless of maturity, are considered investments. Cash held by investment custodians is also considered investments.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Financial risk: AACAP invests in a professionally managed portfolio that contains equity and fixed income securities. Such investments are exposed to various risks, such as 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 are reported at fair value as determined by quoted market prices. Changes in fair value are recorded as a component of investment income in the statement of activities. Investment income and losses that are temporarily restricted based on donor stipulations are allocated based on the methodology detailed in Note 12.

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 \$17,748 at December 31, 2011, is based on management's evaluation of the collectability of receivables.

Property and equipment: Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 40 years. AACAP capitalizes all property and equipment purchased with a cost of \$1,000 or more.

Valuation of long-lived assets: AACAP accounts for the valuation of long-lived assets in accordance with the Codification. As required by the Non-Profit Entities Topic of the Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*, it is required that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset 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 reported at the lower of the carrying amount or fair value, less costs to sell.

Regional council dues payable: Regional council dues payable consist of state and local AACAP chapter dues collected by AACAP, which need to be paid out to chapters.

Revenue and support: Membership dues and fees are recognized as revenue over the dues period which coincides with AACAP's calendar year. Dues received in advance are reported as deferred dues 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 refundable advances.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Revenue and support (continued): Annual meetings and institutes revenues are recognized in the period the meetings and institutes occur. Payments received in advance are recorded as deferred revenue.

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

Functional expense classification: The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The 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 AACAP's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2010, financial statements have been reclassified to conform to the December 31, 2011, financial statement presentation. These reclassifications had no effect on the previously reported change in net assets.

Income taxes: AACAP is generally exempt from federal income taxes under the provisions of Section 501(c)(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, is subject to unrelated business income tax. There was no net tax liability for unrelated business income for the year ended December 31, 2011.

AACAP follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, AACAP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated AACAP's tax positions and concluded that AACAP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, AACAP is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2008.

Subsequent events: AACAP evaluated subsequent events through August 9, 2012, which is the date the financial statements were available to be issued.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 2. Investments

AACAP's investments at December 31, 2011, consist of the following:

Equity securities	\$ 4,007,062
Fixed income securities	2,956,623
Cash	38,626
	<u>\$ 7,002,311</u>

Net investment loss for the year ended December 31, 2011, consists of the following:

Dividends and interest	\$ 181,880
Realized and unrealized loss on investments, net	(412,685)
	<u>(230,805)</u>
Less management fees	33,893
	<u>\$ (264,698)</u>

Note 3. Receivables

Receivables at December 31, 2011, consist of the following:

Federal receivables	\$ 447,251
General receivables	102,890
	<u>550,141</u>
Less allowance for doubtful accounts	17,748
	<u>\$ 532,393</u>

Note 4. Property And Equipment

Property and equipment at December 31, 2011, and depreciation expense for the year then ended, is as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	10 to 40 years	\$ 3,557,171	\$ 1,945,209	\$ 1,611,962	\$ 217,381
Office equipment, computers, and software	3 to 10 years	762,966	569,049	193,917	91,013
Land		375,417	-	375,417	-
		<u>\$ 4,695,554</u>	<u>\$ 2,514,258</u>	<u>\$ 2,181,296</u>	<u>\$ 308,394</u>

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 5. Deferred Revenue

Deferred revenue at December 31, 2011, consists of the following:

Membership dues	\$ 1,283,481
Initial publishing royalty	452,200
January Institute	227,437
Other	22,671
	<u>\$ 1,985,789</u>

Note 6. Note Payable

AACAP entered into a loan agreement with SunTrust Bank on May 1, 2008. The loan provided AACAP \$500,000, at an interest rate of 4.207%. The loan was interest only for the first 90 days and is payable over a five-year period. AACAP is subject to various reporting requirements and covenants, as detailed in the loan agreement. The loan is secured by all of AACAP's cash deposits held with SunTrust Bank. The loan agreement stipulates that AACAP maintain its primary commercial banking relationship with SunTrust Bank. At December 31, 2011, all of AACAP's cash was held with SunTrust Bank. As of December 31, 2011, AACAP was not in compliance with the financial reporting requirement. AACAP has received a waiver from SunTrust Bank for this requirement. AACAP obtained this loan to finance its building renovations.

The future principal payments on the loan at December 31, 2011, are due as follows:

Years Ending December 31,	
2012	\$ 111,816
2013	48,021
	<u>\$ 159,837</u>

Note 7. Building Rental

During the year ended December 31, 2011, AACAP leased a portion of its building under an operating lease. The lease will expire in September 2012. Rental income for the year ended December 31, 2011, was \$30,900. AACAP will receive rental payments of \$22,500 during the year ending December 31, 2012.

Note 8. Retirement Plan

AACAP 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 below the social security wage base and 15.7% of compensation in excess of the social security taxable wage base. Amounts contributed to the plan for the year ended December 31, 2011, were \$223,816.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 9. Margin Agreement

During the year ended December 31, 2011, AACAP established a margin authorization agreement with its investment manager that allows AACAP to draw funds based on a specific percentage of the investments, which resulted in approximately \$2.8 million available for margin as of December 31, 2011. Any funds borrowed under the margin loan agreement accrue interest at a rate dependent on the amount on margin. As of December, 31, 2011, there was no amount outstanding under this margin loan agreement.

Note 10. Commitments

Hotels and facilities: AACAP has entered into several contracts for hotel room rentals and convention centers relating to its annual meetings to be held during the years ending December 31, 2012, through 2017. In the event of cancellation, AACAP is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Publishing: AACAP entered into a publishing agreement with Elsevier Inc., effective January 1, 2010, which extends through 2014. Under this agreement, AACAP is entitled to receive minimum royalty payments, as well as an annual additional royalty.

AACAP's minimum royalty payments under the Elsevier Inc., agreement will be:

Years Ending December 31,	
2012	\$ 906,289
2013	995,887
2014	1,094,333
	<u>\$ 2,996,509</u>

Elsevier Inc. paid AACAP an additional annual royalty of approximately \$350,000 during the year ended December 31, 2011. This additional annual royalty increases annually, commensurate with increases in the Federal Bureau of Labor Statistics, Consumer Price Index (CPI) for all Urban Consumers.

Executive Employment Agreement: AACAP has previously entered into an employment agreement with its Executive Director. This agreement contains a severance package for termination without cause. In addition, AACAP has agreed to provide its Executive Director with additional compensation upon resignation, assuming a one-year notice is provided to AACAP, and that the Executive Director would be available to the next Executive Director and President.

Note 11. Contingency

AACAP participates in a federally-assisted grant program that is subject to financial and compliance audits by the federal agency or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments that may result from such audits.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 12. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2011, along with the activity in the temporarily restricted funds for the year then ended, is as follows.

For the year ended December 31, 2011, AACAP allocated investment losses to its temporarily restricted net asset funds on a monthly basis. This allocation has two components. The first is an allocation based on the balance and activity in each temporarily restricted fund. The second is an allocation based on the balance and activity in each permanently restricted fund. In each of the two allocations described above, the allocation methodology is the same, and the allocated investment gains (losses) are recorded within the respective temporarily restricted fund. The allocations were calculated for each fund based on the balance in each fund at the end of the month, plus the current month activities, divided by AACAP's average investment balance for the month, multiplied by AACAP's net investment loss for the month.

In 2009, AACAP changed which programs receive the investment income allocation. AACAP no longer allocates investment income to programs that are less than one year in duration or that have a measurable date of completion during the fiscal year, such as programs where the terms of the restriction are satisfied at the annual meeting. In addition, AACAP does not allocate investment income to programs where the donors, such as but not limited to governmental entities or pharmaceutical companies, do not have expectations of receiving investment gains, or intend the funds to be subject to market losses.

Temporarily restricted funds which are driven by multi-year promises to give are allocated differently. AACAP only allocates the investment return based on the actual cash received by year-end and excludes the amount that has yet to be received.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 12. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets at December 31, 2011, are available for the following programs:

	Balance December 31, 2010	Grants And Contributions	Net Assets Released From Restrictions	Transfers Within Temporarily Restricted	Investment (Loss) On Temporarily Restricted	Investment (Loss) On Permanently Restricted	Balance December 31, 2011
Campaign for America's Kids	\$ 491,199	\$ 67,181	\$ (152,647)	\$ -	\$ (20,129)	\$ -	\$ 385,604
Pilot Research Awards (Eli Lilly)	144,558	114,000	(138,707)	-	-	-	119,851
Berman Learning Disability Fund	119,615	-	(4,890)	-	(5,739)	-	108,986
Endowment Fund	248,765	23,991	(170,210)	20,862	(8,339)	(41,388)	73,681
Life Member Fund	41,883	49,079	(24,195)	-	(3,105)	-	63,662
E. Schlosser Lewis	100,000	44,200	(60,135)	-	(3,118)	(25,154)	55,793
Abramson Fund	69,765	-	(2,878)	-	(3,002)	(8,262)	55,623
Karl Menninger Plenary	167,374	-	(117,601)	-	(2,706)	-	47,067
Endowed Dues	49,136	-	(203)	-	(2,366)	-	46,567
John F. McDermott Assistant Editor in Residence	47,089	-	-	-	(2,175)	-	44,914
ADHD Resource	45,543	-	(3,139)	-	-	-	42,404
John Schowalter Resident	43,574	-	-	-	(2,126)	-	41,448
Spurlock Fund – NIDA	64,820	20,715	(44,656)	-	-	-	40,879
Marcelino Amaya Fund	23,975	10,000	(632)	-	(1,303)	-	32,040
Tarjan Fund for Mental Retardation	27,900	-	(1,379)	-	(1,424)	-	25,097
General Resident Travel Awards (Eli Lilly)	23,330	61,663	(62,055)	-	-	-	22,938
Simon Wile Fund	21,890	-	(893)	-	(1,033)	-	19,964
Aubrey Metcalf Fund (Northern California – ROCAP)	17,132	1,000	(1,866)	-	(709)	-	15,557
ADHD Research	149,509	-	(134,103)	-	-	-	15,406
Cancro Award	15,681	-	(1,588)	-	(696)	-	13,397
Jerry M. Wiener Resident	6,537	6,750	-	-	(613)	-	12,674
Beatrice Hamburg Award	12,652	-	(1,236)	-	(572)	-	10,844
Klingenstein	17,718	25,000	(31,875)	-	-	-	10,843
Spurlock Fund-AACAP	14,325	-	(3,076)	-	(756)	-	10,493
Robinson/Cunningham	10,936	-	(644)	-	(490)	-	9,802
Quest for the Test – Pilot Research Award (Sang Foundation)	10,705	-	(2,642)	-	-	-	8,063
Spurlock Fund – CMHS	27,651	-	(26,357)	-	-	-	1,294
Lawrence A. Stone, M.D. Plenary	102,367	-	(97,608)	-	(4,759)	-	-
Stubblefield AMA House of Delegates	60,479	-	(57,791)	-	(2,688)	-	-
Philips Fund for Prevention	26,887	2,500	(24,898)	-	-	(4,489)	-
Congressional Fellow Program	18,641	-	-	(18,641)	-	-	-
Regional Student Interest Groups	1,721	500	-	(2,221)	-	-	-
Psychodynamic Psychotherapy Research Project	779	-	(747)	-	(32)	-	-
Douglas Hansen Annual Review Course	-	100,000	(94,004)	-	(5,996)	-	-
	\$ 2,224,136	\$ 526,579	\$ (1,262,655)	\$ -	\$ (73,876)	\$ (79,293)	\$ 1,334,891

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 13. Permanently Restricted And Board Designated Net Assets

AACAP follows the Codification Topic, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All 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, AACAP classifies as permanently restricted net assets: (a) the original value of permanently restricted cash contribution; and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, AACAP considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of AACAP 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 AACAP's permanently restricted net assets are recorded as temporarily restricted net assets, as each permanently restricted fund has a temporarily restricted component. AACAP's permanently restricted funds are geared towards programmatic spending that falls within the mission and purpose of AACAP. AACAP analyzes the balance in the temporarily restricted component of the fund when evaluating the ability to spend prudently on related programs which coincide with the purpose of the fund. AACAP's endowment fund is used to support programs that promote the health and development of children, adolescents, and families. The programs which AACAP supports are ultimately decided by the Council. Board designated net assets are used to fund programs determined by the President.

Investment policy: AACAP invests all permanently restricted funds, as well as other invested funds, in a pooled fund managed by an investment manager according to the objectives and guidelines of AACAP's Statement of Investment Objectives. AACAP's overall objective is to outperform inflation while minimizing potential losses. At least annually, AACAP's Financial Planning Committee, in consultation to the Treasurer and Executive Director, will review the Statement of Investment Objectives to determine their continued applicability. Ultimate authority and responsibility for the financial policies rest with the Council.

AACAP's endowment funds consist of the following at December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 185,097	\$ 1,569,670	\$ 1,754,767
Board designated endowment funds	367,004	-	-	367,004
	<u>\$ 367,004</u>	<u>\$ 185,097</u>	<u>\$ 1,569,670</u>	<u>\$ 2,121,771</u>

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 13. Permanently Restricted And Board Designated Net Assets (Continued)

Endowment fund activity for the year ended December 31, 2011, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 445,417	\$ 1,569,670	\$ 2,015,087
Grants and contributions	-	70,691	-	70,691
Current year designations	367,004	-	-	367,004
Investment loss, net	-	(93,752)	-	(93,752)
Amounts appropriated for expenditure	-	(258,121)	-	(258,121)
Transfer within temporarily restricted net assets	-	20,862	-	20,862
Endowment net assets, end of year	<u>\$ 367,004</u>	<u>\$ 185,097</u>	<u>\$ 1,569,670</u>	<u>\$ 2,121,771</u>

All AACAP endowment funds are included with the investments as shown in Note 2.

Permanently restricted net assets at December 31, 2011, consist of the following endowments:

Endowment Fund	\$ 745,206
E. Schlosser Lewis Fund	543,804
Abramson Fund	177,605
Philips Fund for Prevention	103,055
	<u>\$ 1,569,670</u>

Board designated net assets at December 31, 2011, have been designated for the following programs:

	Balance December 31, 2010	Current Year Designations	Net Assets Released From Designations	Balance December 31, 2011
Presidential Initiative Funds:				
Drell Presidential Initiative Fund	\$ 148,747	\$ 25,000	\$ (2,262)	\$ 171,485
Joshi Presidential Initiative Fund	-	100,000	-	100,000
Greenhill Presidential Initiative Fund	23,001	-	(23,001)	-
	<u>171,748</u>	<u>125,000</u>	<u>(25,263)</u>	<u>271,485</u>
Research Initiative	-	387,884	(234,631)	153,253
Other Funds:				
Karl Menninger Plenary	-	117,601	-	117,601
Lawrence A. Stone, M.D. Plenary	-	97,608	-	97,608
Douglas Hansen Annual Review	-	94,004	-	94,004
Stubblefield House of Delegates	-	57,791	-	57,791
	<u>-</u>	<u>367,004</u>	<u>-</u>	<u>367,004</u>
	<u>\$ 171,748</u>	<u>\$ 879,888</u>	<u>\$ (259,894)</u>	<u>\$ 791,742</u>

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

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Note 14. Funds Provided To Subrecipients

The following funds were provided to the subrecipients listed below under the K – 12 federal program during the year ended December 31, 2011:

Indiana University	\$	184,816
Vanderbilt University Medical Center		177,964
Research Foundation for Mental Hygiene, Inc.		167,902
Washington University		143,550
University of Pittsburgh		132,156
University of Colorado – Denver		103,542
Emma Pendleton Bradley Hospital		82,535
NYU School of Medicine		54,568
University of Colorado – HSC		37,893
University of Kentucky Research Foundation		2,542
		<hr/>
	\$	1,087,468

Note 15. Fair Value Measurements

AACAP follows the Codification Topic, *Fair Value Measurements*. The Codification applies to all assets and liabilities that are being measured and reported on a fair value basis. The Codification requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. The Codification enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Codification requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, AACAP performs a detailed analysis of the assets and liabilities that are subject to the Codification. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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Note 15. Fair Value Measurements (Continued)

The table below presents the balances of assets at December 31, 2011, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities:				
Consumer Growth	\$ 571,666	\$ 571,666	\$ -	\$ -
Technology	513,717	513,717	-	-
Financial	357,522	357,522	-	-
Energy	330,382	330,382	-	-
Consumer Cyclicals	263,259	263,259	-	-
Capital Equipment	204,819	204,819	-	-
Utilities	117,993	117,993	-	-
Consumer Staples	108,109	108,109	-	-
Industrial Commodities	90,343	90,343	-	-
Services	58,476	58,476	-	-
Nonfinancial	6,860	6,860	-	-
	<u>2,623,146</u>	<u>2,623,146</u>	-	-
Equity funds:				
International fund	871,356	871,356	-	-
Global real estate fund	337,230	337,230	-	-
Emerging market fund	175,330	175,330	-	-
	<u>1,383,916</u>	<u>1,383,916</u>	-	-
Total equity securities	<u>4,007,062</u>	<u>4,007,062</u>	-	-
Fixed income securities:				
Intermediate duration fund	2,956,623	2,956,623	-	-
	<u>2,956,623</u>	<u>2,956,623</u>	-	-
Total assets at fair value	6,963,685	<u>\$ 6,963,685</u>	\$ -	\$ -
Total cash held with investments	<u>38,626</u>			
Total investments	<u>\$ 7,002,311</u>			

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