

American Academy Of Child And Adolescent Psychiatry

Financial Report
December 31, 2012

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Independent Auditor's Report

To the Council
American Academy of Child and Adolescent Psychiatry
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of American Academy of Child and Adolescent Psychiatry (AACAP) which comprise the balance sheet as of December 31, 2012, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Child and Adolescent Psychiatry as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AACAP's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of AACAP'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 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 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 AACAP's internal control over financial reporting and compliance.



Vienna, Virginia
September 20, 2013

American Academy Of Child And Adolescent Psychiatry

Balance Sheet

December 31, 2012

(With Comparative Totals For 2011)

| Assets | 2012 | 2011 |
|-----------------------------|----------------------|----------------------|
| Cash | \$ 1,690,831 | \$ 948,902 |
| Investments | 7,831,476 | 7,002,311 |
| Receivables, net | 428,166 | 532,393 |
| Prepaid Expenses | 186,506 | 161,488 |
| Promises To Give, net | 32,730 | 40,707 |
| Property And Equipment, net | 1,996,986 | 2,181,296 |
| | \$ 12,166,695 | \$ 10,867,097 |

Liabilities And Net Assets

| Liabilities | | |
|---------------------------------------|------------------|------------------|
| Accounts payable and accrued expenses | \$ 1,333,160 | \$ 739,250 |
| Deferred revenue | 1,843,999 | 1,985,789 |
| Regional council dues payable | 244,914 | 256,665 |
| Note payable | 48,021 | 159,837 |
| | 3,470,094 | 3,141,541 |

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

Net Assets

Unrestricted

| | | |
|------------------|-----------|-----------|
| Undesignated | 4,998,046 | 4,029,253 |
| Board-designated | 846,043 | 791,742 |

Temporarily restricted

| | | |
|------------------------|------------------|------------------|
| Permanently restricted | 1,282,842 | 1,334,891 |
| | 1,569,670 | 1,569,670 |
| | 8,696,601 | 7,725,556 |

\$ 12,166,695 \$ 10,867,097

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Activities
Year Ended December 31, 2012
(With Comparative Totals For 2011)

| | 2012 | | | Total | 2011 Total |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | |
| Support and revenue | | | | | |
| Membership dues and fees | \$ 2,399,578 | \$ - | \$ - | \$ 2,399,578 | \$ 2,359,985 |
| Annual meeting and institutes | 2,235,195 | - | - | 2,235,195 | 1,707,078 |
| Grants and contributions | 1,495,064 | 494,297 | - | 1,989,361 | 2,280,833 |
| Journal | 1,424,329 | - | - | 1,424,329 | 1,330,649 |
| Investment gain (loss), net | 559,886 | 269,279 | - | 829,165 | (264,698) |
| Publications | 231,903 | - | - | 231,903 | 210,852 |
| Member benefit royalties | 171,340 | - | - | 171,340 | 167,375 |
| Advertising | 134,680 | - | - | 134,680 | 106,470 |
| Other income | 34,259 | - | - | 34,259 | 28,503 |
| Building – rental income | 30,000 | - | - | 30,000 | 30,900 |
| Training | 17,140 | - | - | 17,140 | 22,941 |
| Net assets released from restrictions | 815,625 | (815,625) | - | - | - |
| Total support and revenue | 9,548,999 | (52,049) | - | 9,496,950 | 7,980,888 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Annual meeting and institutes | 1,910,040 | - | - | 1,910,040 | 1,704,967 |
| Grants | 1,170,884 | - | - | 1,170,884 | 1,267,593 |
| Components | 1,089,880 | - | - | 1,089,880 | 860,767 |
| Special Funds | 698,916 | - | - | 698,916 | 903,356 |
| Journal | 668,835 | - | - | 668,835 | 745,439 |
| Government affairs | 575,783 | - | - | 575,783 | 502,879 |
| Membership | 315,767 | - | - | 315,767 | 372,850 |
| Clinical practice | 279,289 | - | - | 279,289 | 351,372 |
| Research initiatives | 263,080 | - | - | 263,080 | 308,436 |
| AACAP News | 185,918 | - | - | 185,918 | 211,073 |
| Communications | 151,462 | - | - | 151,462 | 134,629 |
| Presidential initiatives | 74,735 | - | - | 74,735 | 41,199 |
| Publications | 22,678 | - | - | 22,678 | 93,036 |
| Total program services | 7,407,267 | - | - | 7,407,267 | 7,497,596 |
| Supporting services: | | | | | |
| Central office | 859,272 | - | - | 859,272 | 893,281 |
| Fundraising | 229,005 | - | - | 229,005 | 225,780 |
| Building operations | 30,361 | - | - | 30,361 | 31,621 |
| Total supporting services | 1,118,638 | - | - | 1,118,638 | 1,150,682 |
| Total expenses | 8,525,905 | - | - | 8,525,905 | 8,648,278 |
| Change in net assets | 1,023,094 | (52,049) | - | 971,045 | (667,390) |
| Net assets: | | | | | |
| Beginning | 4,820,995 | 1,334,891 | 1,569,670 | 7,725,556 | 8,392,946 |
| Ending | \$ 5,844,089 | \$ 1,282,842 | \$ 1,569,670 | \$ 8,696,601 | \$ 7,725,556 |

See Notes To Financial Statements.

American Academy Of Child And Adolescent Psychiatry

Statement Of Cash Flows
Year Ended December 31, 2012
(With Comparative Totals For 2011)

| | 2012 | 2011 |
|---|------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 971,045 | \$ (667,390) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Realized and unrealized (gain) loss on investments, net | (651,913) | 412,685 |
| Bad debt expense | 8,347 | 9,374 |
| Depreciation | 293,620 | 308,394 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Receivables | 95,880 | 107,988 |
| Prepaid expenses | (25,018) | (68,522) |
| Promises to give | 7,977 | 6,500 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 593,910 | (555,067) |
| Deferred revenue | (141,790) | 10,660 |
| Regional council dues payable | (11,751) | 245,258 |
| Net cash provided by (used in) operating activities | 1,140,307 | (190,120) |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | (109,310) | (111,347) |
| Proceeds from sales of investments | 2,139,796 | 3,155,306 |
| Purchases of investments | (2,317,048) | (4,104,396) |
| Net cash used in investing activities | (286,562) | (1,060,437) |
| Cash Flows From Financing Activities | | |
| Principal payments on note payable | (111,816) | (106,798) |
| Net cash used in financing activities | (111,816) | (106,798) |
| Net increase (decrease) in cash | 741,929 | (1,357,355) |
| Cash | | |
| Beginning | 948,902 | 2,306,257 |
| Ending | \$ 1,690,831 | \$ 948,902 |
| Supplemental Disclosure Of Cash Flow Information | | |
| Cash paid for interest | \$ 4,661 | \$ 11,598 |

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.

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.

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.

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

Government Affairs: AACAP Government Affairs promotes advocacy efforts at the federal and state levels to improve policies and services for children and adolescents with mental illness. AACAP works to educate policymakers and administrators about issues affecting child and adolescent psychiatry and children's mental health.

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.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

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

Financial risk: AACAP maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. AACAP has not experienced any losses in such accounts. AACAP believes it is not exposed to any significant financial risk on cash.

AACAP invests in a professionally managed portfolio that contains equity and fixed income securities and cash. The equity and fixed income securities 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 in the equity and fixed income securities 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. The cash held within investments is recorded at cost. 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 \$24,203 at December 31, 2012, 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 Codification topic, *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.

Support and revenue: 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.

Annual meetings and institutes revenues are recognized in the period the meetings and institutes occur. Payments received in advance are recorded as deferred revenue.

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.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

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

Support and revenue (continued): 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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue 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, 2011, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2011, financial statements have been reclassified to conform to the December 31, 2012, 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, 2012.

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, 2009.

Subsequent events: AACAP evaluated subsequent events through September 20, 2013, 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, 2012, consist of the following:

| | |
|-------------------------|---------------------|
| Equity securities | \$ 4,612,753 |
| Fixed income securities | 3,116,615 |
| Cash | 102,108 |
| | <u>\$ 7,831,476</u> |

Net investment gain for the year ended December 31, 2012, consists of the following:

| | |
|--|-------------------|
| Realized and unrealized gain on investments, net | \$ 651,913 |
| Dividends and interest | 211,580 |
| | <u>863,493</u> |
| Less management fees | 34,328 |
| | <u>\$ 829,165</u> |

Note 3. Receivables

Receivables at December 31, 2012, consist of the following:

| | |
|--------------------------------------|-------------------|
| Federal grant receivables | \$ 327,542 |
| General receivables | 124,827 |
| | <u>452,369</u> |
| Less allowance for doubtful accounts | 24,203 |
| | <u>\$ 428,166</u> |

Note 4. Property And Equipment

Property and equipment at December 31, 2012, 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 | \$ 3,593,174 | \$ 2,148,331 | \$ 1,444,843 | \$ 203,121 |
| Office equipment, computers, and software | 3 to 10 years | 836,273 | 659,547 | 176,726 | 90,499 |
| Land | | 375,417 | - | 375,417 | - |
| | | <u>\$ 4,804,864</u> | <u>\$ 2,807,878</u> | <u>\$ 1,996,986</u> | <u>\$ 293,620</u> |

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 5. Deferred Revenue

Deferred revenue at December 31, 2012, consists of the following:

| | |
|----------------------------|---------------------|
| Membership dues | \$ 1,260,763 |
| Initial publishing royalty | 305,220 |
| January Institute | 269,974 |
| Other | 8,042 |
| | <u>\$ 1,843,999</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 was payable over a five-year period. Subsequent to December 31, 2012, AACAP paid the remaining balance on the loan in the amount of \$48,021.

Note 7. Building Rental

During the year ended December 31, 2012, AACAP leased a portion of its building under an operating lease. The lease will expire in September 2013. Rental income for the year ended December 31, 2012, was \$30,000. AACAP will receive rental payments of \$22,500 during the year ending December 31, 2013.

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, 2012, were \$187,565.

Note 9. Margin Agreement

AACAP has 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 \$3.1 million available for margin as of December 31, 2012. Any funds borrowed under the margin loan agreement accrue interest at a rate dependent on the amount on margin. As of December, 31, 2012, there was no amount outstanding under this 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 through 2018. 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.

American Academy Of Child And Adolescent Psychiatry

Notes To Financial Statements

Note 10. Commitments (Continued)

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.

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

| Years Ending December 31, | |
|---------------------------|---------------------|
| 2013 | \$ 1,364,000 |
| 2014 | 1,462,000 |
| | <u>\$ 2,826,000</u> |

Executive Employment Agreements: AACAP has entered into an employment agreement with its Executive Director, which expires in 2013. This agreement contains a severance package for termination without cause.

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.

Note 12. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2012, along with the activity in the temporarily restricted funds for the year then ended, is as follows.

For the year ended December 31, 2012, AACAP allocated investment gains 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 gain (loss) for the month.

AACAP does not allocate investment income to programs that are less than one year in duration or that have a measurable date of completion during the fiscal year, such as programs where the terms of the restriction are satisfied at the annual meeting. In addition, 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, 2012, are available for the following programs:

| | Balance December 31, 2011 | Grants And Contributions | Net Assets Released From Restrictions | Investment Gain (Loss) On Temporarily Restricted | Investment Gain On Permanently Restricted | Balance December 31, 2012 |
|--|---------------------------------|-----------------------------|---|---|--|---------------------------------|
| Campaign for America's Kids | \$ 385,604 | \$ 71,743 | \$ (134,409) | \$ 37,776 | \$ - | \$ 360,714 |
| E. Schlosser Lewis | 55,793 | 59,555 | (45,575) | 7,269 | 59,653 | 136,695 |
| Berman Learning Disability Fund | 108,986 | - | (5,248) | 11,835 | - | 115,573 |
| Endowment Fund | 73,681 | 1,301 | (60,000) | 3,904 | 81,745 | 100,631 |
| Life Member Fund | 63,662 | 34,831 | (31,134) | 7,471 | - | 74,830 |
| Pilot Research Awards (Eli Lilly) | 119,851 | 96,000 | (147,159) | - | - | 68,692 |
| Abramson Fund | 55,623 | - | (14,266) | 5,161 | 19,481 | 65,999 |
| Virginia Q. Anthony Fund | - | 65,222 | (8,896) | 2,263 | - | 58,589 |
| Endowed Dues | 46,567 | - | - | 5,114 | - | 51,681 |
| Karl Menninger Plenary | 47,067 | - | (8,000) | - | - | 39,067 |
| Marcelino Amaya Fund | 32,040 | - | (2,950) | 3,436 | - | 32,526 |
| Tarjan Fund for Mental Retardation | 25,097 | - | (1,572) | 2,721 | - | 26,246 |
| Spurlock Fund – NIDA | 40,879 | 25,000 | (41,450) | - | - | 24,429 |
| NIDA AACAP Resident Research Award | - | 23,750 | (1,731) | - | - | 22,019 |
| Simon Wile Fund | 19,964 | - | (725) | 2,172 | - | 21,411 |
| Aubrey Metcalf Fund (Northern California – ROCAP) | 15,557 | - | - | 1,708 | - | 17,265 |
| Cancro Award | 13,397 | - | (1,700) | 1,419 | - | 13,116 |
| Spurlock Fund-AACAP | 10,493 | - | (338) | 2,634 | - | 12,789 |
| Beatrice Hamburg Award | 10,844 | - | (1,038) | 1,162 | - | 10,968 |
| Robinson/Cunningham | 9,802 | - | (824) | 1,049 | - | 10,027 |
| General Resident Travel Awards (Eli Lilly) | 22,938 | 50,000 | (64,653) | - | - | 8,285 |
| Philips Fund for Prevention | - | - | (5,381) | - | 11,306 | 5,925 |
| ADHD Resource | 42,404 | - | (37,039) | - | - | 5,365 |
| John F. McDermott Assistant Editor in Residence | 44,914 | - | (44,914) | - | - | - |
| John Schowalter Resident | 41,448 | - | (41,448) | - | - | - |
| ADHD Research | 15,406 | - | (15,406) | - | - | - |
| Jerry M. Wiener Resident | 12,674 | - | (12,674) | - | - | - |
| Klingenstein | 10,843 | 13,500 | (24,343) | - | - | - |
| Quest for the Test – Pilot Research Award (Sang Foundation) | 8,063 | - | (8,063) | - | - | - |
| Spurlock Fund – CMHS | 1,294 | - | (1,294) | - | - | - |
| Congressional Fellow Program | - | 53,395 | (53,395) | - | - | - |
| | \$ 1,334,891 | \$ 494,297 | \$ (815,625) | \$ 97,094 | \$ 172,185 | \$ 1,282,842 |

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, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------------------|-------------------|------------------------|------------------------|---------------------|
| Donor-restricted endowment funds | \$ - | \$ 309,250 | \$ 1,569,670 | \$ 1,878,920 |
| Board designated endowment funds | 554,242 | - | - | 554,242 |
| | <u>\$ 554,242</u> | <u>\$ 309,250</u> | <u>\$ 1,569,670</u> | <u>\$ 2,433,162</u> |

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Notes To Financial Statements

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

Endowment fund activity for the year ended December 31, 2012, consists of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|-------------------|------------------------|------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 367,004 | \$ 185,097 | \$ 1,569,670 | \$ 2,121,771 |
| Grants and contributions | - | 114,251 | - | 114,251 |
| Current year designations | 157,036 | - | - | 157,036 |
| Investment income, net | 57,545 | 188,519 | - | 246,064 |
| Amounts appropriated for expenditure | (27,343) | (178,617) | - | (205,960) |
| Endowment net assets, end of year | <u>\$ 554,242</u> | <u>\$ 309,250</u> | <u>\$ 1,569,670</u> | <u>\$ 2,433,162</u> |

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

Permanently restricted net assets at December 31, 2012, 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, 2012, have been designated for the following programs:

| | Balance December 31, 2011 | Current Year Designations And Investment Income | Net Assets Released From Designations | Balance December 31, 2012 |
|---|---------------------------|---|---------------------------------------|---------------------------|
| Presidential Initiative Funds: | | | | |
| Dr. Joshi Presidential Initiative Fund | \$ 100,000 | \$ 20,000 | \$ - | \$ 120,000 |
| Dr. Drell Presidential Initiative Fund | 171,485 | - | (74,299) | 97,186 |
| | <u>271,485</u> | <u>20,000</u> | <u>(74,299)</u> | <u>217,186</u> |
| Research Initiative | 153,253 | 109,988 | (188,626) | 74,615 |
| Other Funds: | | | | |
| Karl Menninger Plenary | 117,601 | 25,819 | (1,652) | 141,768 |
| Lawrence A. Stone, M.D. Plenary | 97,608 | 10,992 | (8,526) | 100,074 |
| Douglas Hansen Annual Review | 94,004 | 10,663 | (14,875) | 89,792 |
| Stubblefield House of Delegates | 57,791 | 5,973 | (2,290) | 61,474 |
| Noshpitz/ Cline History Lecture | - | 51,223 | - | 51,223 |
| John F. McDermott Assistant Editor in Residence | - | 49,845 | - | 49,845 |
| John Schowalter Resident | - | 46,000 | - | 46,000 |
| Jerry M. Wiener Resident | - | 14,066 | - | 14,066 |
| | <u>367,004</u> | <u>214,581</u> | <u>(27,343)</u> | <u>554,242</u> |
| | <u>\$ 791,742</u> | <u>\$ 344,569</u> | <u>\$ (290,268)</u> | <u>\$ 846,043</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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Notes To Financial Statements

Note 14. Funds Provided To Subrecipients

The following funds were provided to the subrecipients listed below under the K – 12 federal grant program during the year ended December 31, 2012:

| | | |
|--|----|------------------|
| Research Foundation for Mental Hygiene, Inc. | \$ | 178,663 |
| University of Pittsburgh | | 162,795 |
| Vanderbilt University Medical Center | | 162,668 |
| Indiana University | | 144,737 |
| Washington University in St. Louis | | 139,659 |
| Emma Pendleton Bradley Hospital | | 136,001 |
| University of Colorado – Denver | | 73,295 |
| University of Kentucky Research Foundation | | 4,614 |
| | \$ | <u>1,002,432</u> |

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, 2012, measured at fair value on a recurring basis by level within the hierarchy:

| | Total | Level 1 | Level 2 | Level 3 |
|----------------------------------|---------------------|---------------------|---------|---------|
| Equities: | | | | |
| Consumer growth | \$ 660,039 | \$ 660,039 | \$ - | \$ - |
| Technology | 606,898 | 606,898 | - | - |
| Financial | 529,254 | 529,254 | - | - |
| Consumer cyclicals | 312,575 | 312,575 | - | - |
| Energy | 295,668 | 295,668 | - | - |
| Capital equipment | 200,875 | 200,875 | - | - |
| Consumer staples | 162,836 | 162,836 | - | - |
| Industrial commodities | 102,220 | 102,220 | - | - |
| Utilities | 44,812 | 44,812 | - | - |
| Services | 21,366 | 21,366 | - | - |
| Nonfinancial | 19,976 | 19,976 | - | - |
| | <u>2,956,519</u> | <u>2,956,519</u> | - | - |
| Equity funds: | | | | |
| International fund | 1,031,568 | 1,031,568 | - | - |
| Global real estate fund | 417,444 | 417,444 | - | - |
| Emerging market fund | 207,222 | 207,222 | - | - |
| | <u>1,656,234</u> | <u>1,656,234</u> | - | - |
| Total equity securities | <u>4,612,753</u> | <u>4,612,753</u> | - | - |
| Fixed income securities: | | | | |
| Intermediate duration fund | 3,116,615 | 3,116,615 | - | - |
| | <u>3,116,615</u> | <u>3,116,615</u> | - | - |
| Total assets at fair value | 7,729,368 | <u>\$ 7,729,368</u> | \$ - | \$ - |
| Total cash held with investments | 102,108 | | | |
| Total investments | <u>\$ 7,831,476</u> | | | |

The equity and fixed income securities above are classified as Level 1 instruments, as there are quoted market prices in active markets for identical assets.