American Academy of Child and Adolescent Psychiatry and Affiliate

Consolidated Financial Report
December 31, 2013

Contents

McGladrey

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 consolidated financial statements of American Academy of Child and Adolescent Psychiatry and Affiliate (the Academy), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Academy of Child and Adolescent Psychiatry and Affiliate as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Academy's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during the year ended December 31, 2013, American Academy of Child and Adolescent Psychiatry created American Association of Child and Adolescent Psychiatry. The comparative 2012 totals presented within the accompanying consolidated balance sheet, statement of activities, and statement of cash flows do not include balances, activities, or cash flows of American Association of Child and Adolescent Psychiatry.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014 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 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 the Academy's internal control over financial reporting and compliance.

McGladrey LLP

Gaithersburg, Maryland
June 24, 2014

American Academy of Child and Adolescent Psychiatry and Affiliate

Consolidated Balance Sheet
December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Assets		
Cash		
AACAP – (c)(3)	**$ 706,147**	$ 1,690,831
AMCAP – (c)(6)	**225,000**	-
Investments	**9,139,988**	7,831,476
Receivables, net	**952,956**	428,166
Prepaid Expenses	**259,827**	186,506
Promises to Give, net	**26,138**	32,730
Property and Equipment, net	**1,784,364**	1,996,986
	$ 13,094,420	$ 12,166,695
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 875,092**	$ 1,333,160
Deferred revenue:		
AACAP – (c)(3)	**1,346,405**	1,843,999
AMCAP – (c)(6)	**300,271**	-
Regional council dues payable	**241,014**	244,914
Note payable	**-**	48,021
	2,762,782	3,470,094
Commitments and Contingencies (Notes 7, 8, 9 and 10)		
Net Assets		
Unrestricted		
Undesignated	**6,317,987**	4,998,046
Board-designated	**906,541**	846,043
	7,224,528	5,844,089
Temporarily restricted	**1,512,440**	1,282,842
Permanently restricted	**1,594,670**	1,569,670
	10,331,638	8,696,601
	$ 13,094,420	$ 12,166,695

See Notes to Consolidated Financial Statements.

American Academy of Child and Adolescent Psychiatry and Affiliate

Consolidated Statement of Activities
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2012 Total
Revenue and Support					
Membership dues and fees	**$ 2,522,690**	**$ -**	**$ -**	**$ 2,522,690**	$ 2,399,578
Grants and contributions	**1,664,013**	**450,864**	**25,000**	**2,139,877**	1,989,361
Annual meeting and institutes	**1,973,200**	**-**	**-**	**1,973,200**	2,235,195
Journal	**1,519,387**	**-**	**-**	**1,519,387**	1,424,329
Investment gain, net	**819,769**	**488,758**	**-**	**1,308,527**	829,165
Publications	**262,459**	**-**	**-**	**262,459**	231,903
Member benefit royalties	**170,478**	**-**	**-**	**170,478**	171,340
Advertising	**99,918**	**-**	**-**	**99,918**	134,680
Building – rental income	**30,000**	**-**	**-**	**30,000**	30,000
Training	**22,328**	**-**	**-**	**22,328**	17,140
Other income	**10,128**	**-**	**-**	**10,128**	34,259
Net assets released from restrictions	**710,024**	**(710,024)**	**-**	**-**	-
Total revenue and support	**9,804,394**	**229,598**	**25,000**	**10,058,992**	9,496,950
Expenses					
Program services:					
Annual meeting and institutes	**1,667,038**	**-**	**-**	**1,667,038**	1,910,040
Grants	**1,244,792**	**-**	**-**	**1,244,792**	1,170,884
Components	**1,116,617**	**-**	**-**	**1,116,617**	1,089,880
Special Funds	**725,616**	**-**	**-**	**725,616**	698,916
Journal	**723,601**	**-**	**-**	**723,601**	668,835
Government affairs	**547,120**	**-**	**-**	**547,120**	575,783
Membership	**310,359**	**-**	**-**	**310,359**	315,767
Clinical practice	**227,368**	**-**	**-**	**227,368**	279,289
Research initiatives	**207,915**	**-**	**-**	**207,915**	263,080
AACAP News	**146,261**	**-**	**-**	**146,261**	185,918
Communications	**136,501**	**-**	**-**	**136,501**	151,462
Presidential initiatives	**78,289**	**-**	**-**	**78,289**	74,735
Publications	**19,915**	**-**	**-**	**19,915**	22,678
Total program services	**7,151,392**	**-**	**-**	**7,151,392**	7,407,267
Supporting services:					
Central office	**974,165**	**-**	**-**	**974,165**	859,272
Fundraising	**268,231**	**-**	**-**	**268,231**	229,005
Building operations	**30,167**	**-**	**-**	**30,167**	30,361
Total supporting services	**1,272,563**	**-**	**-**	**1,272,563**	1,118,638
Total expenses	**8,423,955**	**-**	**-**	**8,423,955**	8,525,905
Change in net assets	**1,380,439**	**229,598**	**25,000**	**1,635,037**	971,045
Net Assets					
Beginning	**5,844,089**	**1,282,842**	**1,569,670**	**8,696,601**	7,725,556
Ending	**$ 7,224,528**	**$ 1,512,440**	**$ 1,594,670**	**$ 10,331,638**	$ 8,696,601

See Notes to Consolidated Financial Statements.

American Academy of Child and Adolescent Psychiatry and Affiliate

Consolidated Statement of Cash Flows
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	**$ 1,635,037**	$ 971,045
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gain on investments, net	**(1,128,389)**	(651,913)
Bad debt expense	**2,356**	8,347
Depreciation	**257,607**	293,620
Contribution restricted for long-term investment	**(25,000)**	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**(527,146)**	95,880
Prepaid expenses	**(73,321)**	(25,018)
Promises to give	**6,592**	7,977
Increase (decrease) in:		
Accounts payable and accrued expenses	**(458,068)**	593,910
Deferred revenue – AACAP – (c)(3)	**(497,594)**	(141,790)
Deferred revenue – AMCAP – (c)(6)	**300,271**	-
Regional council dues payable	**(3,900)**	(11,751)
Net cash (used in) provided by operating activities	**(511,555)**	1,140,307
Cash Flows from Investing Activities		
Purchases of property and equipment	**(44,985)**	(109,310)
Proceeds from sales of investments	**4,351,191**	2,139,796
Purchases of investments	**(4,531,314)**	(2,317,048)
Net cash used in investing activities	**(225,108)**	(286,562)
Cash Flows from Financing Activities		
Principal payments on note payable	**(48,021)**	(111,816)
Contribution restricted for long-term investment	**25,000**	-
Net cash used in financing activities	**(23,021)**	(111,816)
Net (decrease) increase in cash	**(759,684)**	741,929
Cash		
Beginning	**1,690,831**	948,902
Ending	**$ 931,147**	$ 1,690,831
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 512**	$ 4,661

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: The American Academy of Child and Adolescent Psychiatry and Affiliate (collectively the Academy) consists of two 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 in July 2013 to engage in health policy and advocacy activities to promote mentally healthy children, adolescents, and families and the profession of child and adolescent psychiatry. The comparative 2012 totals presented within the accompanying consolidated balance sheet, statement of activities, and statement of cash flows do not include balances, activities, or cash flows of AMCAP as AMCAP was created during the year ended December 31, 2013.

The following are descriptions of the Academy's significant programs:

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

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

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

Special Funds: 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.

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

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

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

A summary of the Academy's significant accounting policies follows:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of AACAP and AMCAP. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Basis of Accounting: The consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The consolidated 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 topics of the Codification, *Balance Sheet* and *Income Statement*, the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

The Academy invests in a professionally managed portfolio that contains mutual funds, equities, fixed income securities, and cash. The equities, mutual funds, 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 consolidated financial statements.

Investments: Investments consist of mutual funds, equities, fixed income securities and cash. The mutual funds, equities, and fixed income securities are recorded in the accompanying consolidated 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. Two particular investments are reported at an estimated fair value based on a valuation provided by the external investment manager. The Academy believes the carrying amounts of these financial instruments are a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated values are subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from currently reported values. Changes in fair value are recorded as a component of investment gain in the accompanying consolidated statement of activities. The cash held within investments is recorded at cost. Investment gains and losses that are temporarily restricted based on donor stipulations are allocated based on the methodology detailed in Note 11.

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 $19,972 at December 31, 2013, 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. The Academy capitalizes all property and equipment purchased with a cost of $500 or more.

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

Valuation of Long-Lived Assets: The Academy accounts for the valuation of long-lived assets in accordance with the Codification. As required by the Codification subtopic, *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 consists of state and local Academy chapter dues collected by the Academy, 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 the Academy's calendar year. Dues received in advance are reported as deferred dues and recognized during the period of membership.

The Academy receives federal and non-federal grants. Revenue from grants is recognized as services are performed and costs are incurred. Conditional grants are recognized when the conditions on which they depend are substantially met. Such grant funds received prior to conditions being met are reported as refundable advances. There were no conditional grants as of December 31, 2013.

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 consolidated statement of activities as net assets released from restrictions.

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 consolidated 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 consolidated financial statements, and the reported amounts of revenue and 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. Accordingly, such information should be read in conjunction with the Academy's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

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

Income Taxes: AACAP and AMCAP are generally exempt from federal income taxes under the provisions of Section 501(c)(3) and 501(c)(6), respectively, 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, 2013.

The Academy 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, the Academy 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 the Academy's tax positions and concluded that the Academy had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Academy is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before December 31, 2010.

Subsequent Events: The Academy evaluated subsequent events through June 24, 2014, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

The Academy's investments at December 31, 2013, consist of the following:

Equities	$ 2,895,585
Mutual funds	4,129,115
Fixed income securities	2,068,409
Cash	46,879
	$ 9,139,988

Net investment gain for the year ended December 31, 2013, consists of the following:

Realized and unrealized gain on investments, net	$ 1,128,389
Dividends and interest	212,002
	1,340,391
Less management fees	31,864
	$ 1,308,527

Note 3. Receivables

Receivables at December 31, 2013, consist of the following:

Federal grant receivables	$	771,441
General receivables		201,487
		972,928
Less allowance for doubtful accounts		19,972
	$	952,956

Note 4. Property and Equipment

Property and equipment at December 31, 2013, and depreciation expense for the year then ended, consist of the following:

Asset Category	Estimated Useful Lives		Cost		Accumulated Depreciation		Net		Depreciation Expense
Building and improvements	10 to 40 years	$	3,594,124	$	2,337,416	$	1,256,708	$	189,085
Office equipment, computers, and software	3 to 10 years		849,343		697,104		152,239		68,522
Land			375,417		-		375,417		-
		$	4,818,884	$	3,034,520	$	1,784,364	$	257,607

Note 5. Deferred Revenue

Deferred revenue at December 31, 2013, consists of the following:

Membership dues	$	1,148,992
January Institute		328,447
Initial publishing royalty		154,810
Other		14,427
	$	1,646,676

Note 6. Building Rental

During the year ended December 31, 2013, the Academy leased a portion of its building under an operating lease. The lease will expire in September 2016. Rental income for the year ended December 31, 2013, was $30,000.

The lease agreement calls for the Academy to receive the following future rental payments:

Years Ending December 31,		
2014	$	31,200
2015		31,200
2016		23,400
	$	85,800

Note 7. 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 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, 2013, were $200,594.

Note 8. Margin Agreement

The Academy has established a margin authorization agreement with its investment manager that allows the Academy to draw funds based on a specific percentage of the investments, which resulted in approximately $3.7 million available for margin as of December 31, 2013. Any funds borrowed under the margin loan agreement accrue interest at a rate dependent on the amount on margin. As of December 31, 2013, there was no amount outstanding under this agreement.

Note 9. Commitments

Hotels and Facilities: The Academy has entered into several contracts for hotel room rentals and convention centers relating to its annual meetings to be held through 2019. In the event of cancellation, the Academy is required to pay various costs of the hotel rooms as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation.

Publishing: The Academy entered into a publishing agreement with Elsevier Inc., effective January 1, 2010, which extends through 2014. Under this agreement, the Academy is entitled to receive minimum royalty payments.

The Academy's minimum royalty payments under the Elsevier Inc., agreement will be approximately $1,462,000 for the year ending December 31, 2014.

Note 10. Contingency

The Academy 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 11. Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of December 31, 2013, along with the activity in the temporarily restricted funds for the year then ended, is as follows.

For the year ended December 31, 2013, the Academy 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 the Academy's average investment balance for the month, multiplied by the Academy's net investment gain (loss) for the month.

Note 11. Temporarily Restricted Net Assets (Continued)

The Academy does not allocate investment income to programs that are less than one year in duration or that have a measurable date of completion during the fiscal year, such as programs where the terms of the restriction are satisfied at the annual meeting. In addition, the Academy does not allocate investment income to programs where the donors, such as but not limited to governmental entities or pharmaceutical companies, do not have expectations of receiving investment gains, or intend the funds to be subject to market losses.

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

Changes in temporarily restricted net assets during 2013 are as follows:

	Balance December 31, 2012	Grants and Contributions	Net Assets Released from Restrictions	Investment Gain on Temporarily Restricted	Investment Gain on Permanently Restricted	Balance December 31, 2013
Campaign for America's Kids	$ 360,714	$ 104,638	$ 113,114	$ 65,686	$ -	$ 417,924
Endowment Fund	100,631	800	17,316	27,982	128,793	240,890
E. Schlosser Lewis	136,695	35,150	64,406	28,526	93,985	229,950
Berman Learning Disability Fund	115,573	-	5,505	21,281	-	131,349
Abramson Fund	65,999	-	29,195	11,190	30,695	78,689
Life Member Fund	74,830	25,911	47,105	13,760	-	67,396
Endowed Dues	51,681	-	-	9,596	-	61,277
Karl Menninger Plenary	39,067	-	-	-	-	39,067
Marcelino Amaya Fund	32,526	1,100	3,945	6,061	-	35,742
Tarjan Fund for Mental Retardation	26,246	-	2,171	4,776	-	28,851
Simon Wile Fund	21,411	-	1,693	3,921	-	23,639
Philips Fund for Prevention	5,925	-	5,254	2,270	17,808	20,749
Aubrey Metcalf Fund (Northern California – ROCAP)	17,265	-	-	3,203	-	20,468
Cancro Award	13,116	-	-	2,435	-	15,551
Spurlock Fund – NIDA	24,429	20,000	29,431	-	-	14,998
Spurlock Fund-AACAP	12,789	1,000	3,289	2,379	-	12,879
Beatrice Hamburg Award	10,968	-	1,434	1,963	-	11,497
Robinson/Cunningham	10,027	-	1,441	1,790	-	10,376
General Resident Travel Awards (Eli Lilly)	8,285	50,000	52,290	-	-	5,995
NIDA AACAP Resident Research Award	22,019	49,500	67,286	-	-	4,233
Pilot Research Awards (Eli Lilly)	68,692	75,000	143,692	-	-	-
Virginia Q. Anthony Fund	58,589	20,515	89,762	10,658	-	-
ADHD Resource	5,365	-	5,365	-	-	-
International Fund – Ulku Ulgur, M.D. Int'l Scholor Fund	-	35,000	-	-	-	35,000
Klingenstein	-	32,000	26,330	-	-	5,670
International Fund	-	250	-	-	-	250
	$ 1,282,842	$ 450,864	$ 710,024	$ 217,477	$ 271,281	$ 1,512,440

Note 12. Permanently Restricted and Board Designated Net Assets

The Academy follows the Codification subtopic, *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, the Academy classifies as permanently restricted net assets: (a) the original value of permanently restricted cash contribution; and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of the Academy and donor-restricted endowment fund
- The duration and preservation of the funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies

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

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

The Academy's endowment funds consist of the following at December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 570,278	$ 1,594,670	$ 2,164,948
Board designated endowment funds	719,203	-	-	719,203
	$ 719,203	$ 570,278	$ 1,594,670	$ 2,884,151

Note 12. Permanently Restricted and Board Designated Net Assets (Continued)

Endowment fund activity for the year ended December 31, 2013, consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 554,242	$ 309,250	$ 1,569,670	$ 2,433,162
Grants and contributions	-	35,950	25,000	60,950
Current year designations	2,500	-	-	2,500
Investment income, net	165,005	341,249	-	506,254
Amounts appropriated for expenditure	(2,544)	(116,171)	-	(118,715)
Endowment net assets, end of year	$ 719,203	$ 570,278	$ 1,594,670	$ 2,884,151

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

Permanently restricted net assets at December 31, 2013, 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
Joshi International Scholars Fund	25,000
	$ 1,594,670

Note 12. Permanently Restricted and Board Designated Net Assets (Continued)

Board designated net assets activity for the year ended December 31, 2013, consists of the following programs:

	Balance December 31, 2012	Current Year Designations and Investment Income	Net Assets Released from Designations	Balance December 31, 2013
Presidential Initiative Funds:				
Dr. Joshi Presidential Initiative Fund	$ 120,000	$ -	$ (10,001)	$ 109,999
Dr. Drell Presidential Initiative Fund	97,186	-	(97,186)	-
Dr. Fritz Presidential Initiative Fund	-	40,000	-	40,000
	217,186	40,000	(107,187)	149,999
Research Initiative	74,615	61,775	(99,051)	37,339
Other Funds:				
Karl Menninger Plenary	141,768	26,319	-	168,087
Lawrence A. Stone, M.D. Plenary	100,074	18,580	-	118,654
Douglas Hansen Annual Review	89,792	16,671	-	106,463
Stubblefield House of Delegates	61,474	11,315	(2,521)	70,268
Noshpitz/Cline History Lecture	51,223	12,286	(23)	63,486
John F. McDermott Assistant Editor in Residence	49,845	9,255	-	59,100
John Schowalter Resident	46,000	8,539	-	54,539
Jerry M. Wiener Resident	14,066	2,611	-	16,677
Virginia Q. Anthony	-	61,929	-	61,929
	554,242	167,505	(2,544)	719,203
	$ 846,043	$ 269,280	$ (208,782)	$ 906,541

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

Note 13. 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, 2013:

University of Colorado – Denver	$ 84,740
University of Kentucky Research Foundation	10,101
Vanderbilt University Medical Center	154,074
Emma Pendleton Bradely Hospital	131,484
University of Pittsburgh	165,542
Indiana University	148,532
Washington University in St. Louis	208,732
Research Foundation for Mental Hygiene, Inc.	149,521
	$ 1,052,726

Note 14. Fair Value Measurements

The Academy follows the Codification topic, *Fair Value Measurement*. 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 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 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, the Academy 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. The Academy had no Level 3 investments as of the year ended December 31, 2013.

The table below presents the balances of assets at December 31, 2013, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Mutual funds:				
Foreign Large Blend	$ 1,026,217	$ 1,026,217	$ -	$ -
Global Real Estate	246,023	246,023	-	-
Emerging Markets	157,782	157,782	-	-
Multi-strategy equity and bond fund	1,837,000	-	1,837,000	-
Multi-strategy bond and equity fund	862,093	-	862,093	-
	4,129,115	1,430,022	2,699,093	-
Equities:				
Financial	609,725	609,725	-	-
Services	594,671	594,671	-	-
Technology	442,811	442,811	-	-
Healthcare	392,447	392,447	-	-
Basic Materials	329,945	329,945	-	-
Consumer Goods	266,425	266,425	-	-
Industrial Goods	236,411	236,411	-	-
Utilities	23,150	23,150	-	-
	2,895,585	2,895,585	-	-
Fixed income securities:				
Intermediate duration fund	2,068,409	2,068,409	-	-
	2,068,409	2,068,409	-	-
Total assets at fair value	9,093,109	$ 6,394,016	$ 2,699,093	$ -
Total cash held with investments	46,879			
Total investments	$ 9,139,988			

Note 14. Fair Value Measurements (Continued)

The foreign large blend, global real estate, emerging market mutual funds, equities, and fixed income securities above are classified as Level 1 instruments, as there are quoted market prices in active markets for identical assets.

The multi-strategy equity and bond fund and the multi-strategy bond and equity fund have a net asset value per share, or the equivalent. These funds are classified as Level 2 instruments, as they are able to be redeemed by the Academy at December 31, 2013, in the near term, which is generally considered to be within 90 days of the fiscal year-end.

The following presents further information regarding the composition of the multi-strategy equity and bond fund and the multi-strategy bond and equity fund at December 31, 2013:

Strategy Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy equity and bond fund	$ 1,837,000	$ -	Daily	N/A
Multi-strategy bond and equity fund	862,093	-	Daily	N/A
	$ 2,699,093			

These funds pursue multiple strategies to diversify risk and reduce volatility. The multi-strategy equity and bond fund's composite portfolio includes investments in approximately 87% equities and 13% bonds. The multi-strategy bond and equity fund's composite portfolio includes investments in approximately 67% bonds and 33% equities. The fair values of the investments have been estimated using net asset value per share of the investments.