

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

Financial Report  
December 31, 2018

## Contents

---

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated balance sheet	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-16

---



RSM US LLP

## Independent Auditor's Report

To the Council  
American Academy of Child and Adolescent Psychiatry

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Academy of Child and Adolescent Psychiatry and Affiliates (the Academy), which comprise the consolidated balance sheet as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Academy of Child and Adolescent Psychiatry and Affiliates as of December 31, 2018, 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.

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Academy adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the statement of functional expenses, additional disclosures over liquidity and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Academy's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Washington, D.C.  
September 26, 2019

American Academy of Child and Adolescent Psychiatry and Affiliates

**Consolidated Balance Sheet**  
**December 31, 2018**  
**(With Comparative Totals for 2017)**

	2018	2017
<b>Assets</b>		
Cash	\$ 1,301,215	\$ 1,484,984
Investments	14,405,934	15,369,112
Receivables, net	1,285,258	1,228,517
Prepaid expenses and other	199,956	155,137
Property and equipment, net	1,523,316	1,657,081
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 18,715,679</b>	<b>\$ 19,894,831</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,394,480	\$ 1,652,942
Deferred revenue	1,591,829	1,684,057
Regional council dues payable	273,998	249,350
<b>Total liabilities</b>	<b>3,260,307</b>	<b>3,586,349</b>
<hr/>		
Commitments and contingencies (Note 7)		
Net assets:		
Without donor-restrictions:		
Undesignated	10,882,641	11,404,248
Board-designated	786,633	893,634
	<hr/>	<hr/>
	11,669,274	12,297,882
With donor-restrictions	3,786,098	4,010,600
	<hr/>	<hr/>
	15,455,372	16,308,482
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 18,715,679</b>	<b>\$ 19,894,831</b>

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities  
Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Annual meeting and institutes	\$ 2,768,181	\$ -	\$ 2,768,181	\$ 2,460,646
Membership dues and fees	2,971,774	-	2,971,774	2,995,738
Grants and contributions	1,510,942	399,912	1,910,854	2,128,074
Journal and royalties	1,342,843	-	1,342,843	1,481,489
Investment (loss) gain, net	(759,929)	(264,347)	(1,024,276)	2,082,945
Publications	361,300	-	361,300	251,126
Member benefit royalties	270,000	-	270,000	450,000
Training	62,178	-	62,178	38,883
Advertising	58,832	-	58,832	28,662
Building – rental income	509	-	509	235
Other income	110	-	110	1,598
Net assets released from restrictions	360,067	(360,067)	-	-
<b>Total revenue and support</b>	<b>8,946,807</b>	<b>(224,502)</b>	<b>8,722,305</b>	<b>11,919,396</b>
Expenses:				
Program services:				
Meetings and CME	2,264,605	-	2,264,605	2,115,262
Research	1,944,099	-	1,944,099	1,987,935
Clinical Practice	1,165,708	-	1,165,708	810,371
Membership and communication	1,057,397	-	1,057,397	1,006,509
Journal	882,194	-	882,194	896,640
Advocacy	672,638	-	672,638	889,276
<b>Total program services</b>	<b>7,986,641</b>	<b>-</b>	<b>7,986,641</b>	<b>7,705,993</b>
Supporting services:				
Administration	1,059,375	-	1,059,375	1,275,926
Fundraising	529,399	-	529,399	402,251
<b>Total supporting services</b>	<b>1,588,774</b>	<b>-</b>	<b>1,588,774</b>	<b>1,678,177</b>
<b>Total expenses</b>	<b>9,575,415</b>	<b>-</b>	<b>9,575,415</b>	<b>9,384,170</b>
<b>Change in net assets</b>	<b>(628,608)</b>	<b>(224,502)</b>	<b>(853,110)</b>	<b>2,535,226</b>
Net assets:				
Beginning	12,297,882	4,010,600	16,308,482	13,773,256
Ending	<b>\$ 11,669,274</b>	<b>\$ 3,786,098</b>	<b>\$ 15,455,372</b>	<b>\$ 16,308,482</b>

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Program Services						Total Program Services	Supporting Services		Total Supporting Services	2018 Total	2017 Total
	Meetings and CME	Research	Clinical Practice	Membership and Communications	Journal	Advocacy		Administration	Fundraising			
Personnel	\$ 625,730	\$ 322,402	\$ 505,651	\$ 435,220	\$ 252,550	\$ 281,361	\$ 2,422,914	\$ 1,250,791	\$ 189,206	\$ 1,439,997	\$ 3,862,911	\$3,848,383
Meetings & Travel	681,658	129,506	130,670	61,472	9,565	92,843	1,105,714	214,261	123,235	337,496	1,443,210	1,434,686
Research Support	-	1,078,322	-	-	-	-	1,078,322	-	-	-	1,078,322	1,111,010
Publications, Printing & Design	122,951	4,094	38,287	187,928	345,390	11,980	710,630	68,780	16,003	84,783	795,413	757,896
Professional Services	115,308	35,342	97,894	31,970	3,089	7,503	291,106	411,005	2,385	413,390	704,496	594,615
Honoraria & Awards	93,541	154,664	31,500	-	80,000	20,667	380,372	139,000	34,949	173,949	554,321	584,877
Occupancy & Supplies	8,275	1,685	546	8,206	470	628	19,810	274,004	1,383	275,387	295,197	256,592
Telecommunications	109,210	2,442	3,038	3,507	2,112	1,816	122,125	124,957	1,504	126,461	248,586	194,042
Tax, Licenses & Fees	295	460	37	-	36	3,125	3,953	188,852	21,810	210,662	214,615	183,822
Depreciation	-	-	-	-	-	-	-	172,186	-	172,186	172,186	216,223
Insurance	-	-	-	-	-	-	-	86,047	-	86,047	86,047	76,524
Other	26,721	396	1,159	7,342	154	36,525	72,297	45,767	2,047	47,814	120,111	125,500
<b>Total expenses before allocation</b>	<b>1,783,689</b>	<b>1,729,313</b>	<b>808,782</b>	<b>735,645</b>	<b>693,366</b>	<b>456,448</b>	<b>6,207,243</b>	<b>2,975,650</b>	<b>392,522</b>	<b>3,368,172</b>	<b>9,575,415</b>	<b>9,384,170</b>
Allocation of overhead expenses	480,916	214,786	356,926	321,752	188,828	216,190	1,779,398	(1,916,275)	136,877	(1,779,398)	-	-
<b>Total expenses</b>	<b>\$ 2,264,605</b>	<b>\$ 1,944,099</b>	<b>\$ 1,165,708</b>	<b>\$ 1,057,397</b>	<b>\$ 882,194</b>	<b>\$ 672,638</b>	<b>\$ 7,986,641</b>	<b>\$ 1,059,375</b>	<b>\$ 529,399</b>	<b>\$ 1,588,774</b>	<b>\$ 9,575,415</b>	<b>\$9,384,170</b>

See notes to consolidated financial statements.

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

**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (853,110)	\$ 2,535,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments, net	1,337,366	(1,776,087)
Depreciation	172,186	216,224
Change in allowance for doubtful accounts	(24,585)	(6,433)
Contribution restricted for long-term investment	-	(125,100)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(32,156)	(650,774)
Prepaid expenses and other	(44,819)	(23,753)
Increase (decrease) in:		
Accounts payable and accrued expenses	(258,462)	212,080
Deferred revenue	(92,228)	40,627
Regional council dues payable	24,648	8,921
<b>Net cash provided by operating activities</b>	<b>228,840</b>	<b>430,931</b>
Cash flows from investing activities:		
Purchases of property and equipment	(38,421)	(293,134)
Proceeds from sales of investments	3,872,321	954,992
Purchases of investments	(4,246,509)	(2,547,271)
<b>Net cash used in investing activities</b>	<b>(412,609)</b>	<b>(1,885,413)</b>
Cash flows from financing activities:		
Contribution restricted for long-term investment	-	125,100
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>125,100</b>
<b>Net decrease in cash</b>	<b>(183,769)</b>	<b>(1,329,382)</b>
Cash:		
Beginning	1,484,984	2,814,366
Ending	<b>\$ 1,301,215</b>	<b>\$ 1,484,984</b>

See notes to consolidated financial statements.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** American Academy of Child and Adolescent Psychiatry and Affiliates (collectively, the Academy) consists of three entities.

American Academy of Child and Adolescent Psychiatry (AACAP) has been a growing and dynamic organization, giving direction to and responding quickly to new developments in the healthcare environment by addressing the needs of children, adolescents and families. AACAP represents child and adolescent psychiatrists with at least five years of additional training beyond medical school, including two years in child and adolescent psychiatry residency. AACAP members actively research, diagnose and treat psychiatric disorders affecting children, adolescents and their families. AACAP supports this work through a variety of programs including government liaison, national public information and continuing education.

American Association of Child and Adolescent Psychiatry (AMCAP) was created to engage in health policy and advocacy activities to promote mentally healthy children, adolescents and families, and the profession of child and adolescent psychiatry.

AMCAP created the AMCAP Political Action Committee (the PAC), which is a separate segregated fund of AMCAP and is an unincorporated committee. The PAC's purpose is to support federal candidates who support child and adolescent psychiatry. The PAC is not affiliated with any party.

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

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

**Research:** Through a number of federal and non-federal grants, the Academy supports research and training fellowships in the field of child and adolescent psychiatry. The Academy promotes and supports research careers, publicizes research and training opportunities and sponsors initiatives to foster the development and continuing excellence of child and adolescent psychiatrists through fellowship programs, distinguished member lectures and research stipends.

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

**Membership and communication:** The Membership department is also responsible for development and maintenance of member benefits and services, and maintaining all membership records and statistics. The Academy sponsors committees that work to increase the knowledge base about specific areas of interest for the Academy members and the public and help the Academy disseminate information.

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

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

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

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

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

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

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

**Basis of presentation:** The financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, balance sheet and income statement, the Academy is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

The Academy invests in a professionally managed portfolio that contains various securities that are exposed to risks, such as interest, market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

**Investments:** Investments consist of mutual funds, a money market fund, and common stock that are recorded in the accompanying balance sheet at their fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. To adjust the carrying value of these investments, realized and unrealized gains and losses are recorded as investment (loss) gain, net on the consolidated statement of activities.

**Receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts receivable of \$15,310 at December 31, 2018, is based on management's evaluation of the collectability of receivables.

**Property and equipment:** Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 40 years. The Academy capitalizes all property and equipment purchased with a cost of \$500 or more.

**Valuation of long-lived assets:** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

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

**Regional council dues payable:** Regional council dues payable consists of state and local Academy council dues collected by the Academy, which need to be paid out to councils.

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

Membership dues and fees are recognized as revenue over the dues period, which coincides with the Academy's fiscal year. Dues payments received in advance are reported as deferred revenue and recognized during the period of membership.

AACAP receives federal and non-federal grants. Revenue from grants is recognized as services are performed and costs are incurred. Conditional grants are recognized when the conditions on which they depend are substantially met. Such grant funds received prior to conditions being met are reported as deferred revenue. There were no significant conditional grants at December 31, 2018.

All donor-restricted unconditional contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction, when received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Journal revenue is recognized in the period it is earned. Initial publishing royalties and other multi-year royalty agreements are recognized over the life of the agreements. Amounts received in advance for these agreements are recorded as deferred revenue.

Publication revenue is recognized when sales are made and member royalties are recognized in the period earned. Payments received in advance are recorded as deferred revenue.

**Functional expense classification:** The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain overhead costs such as depreciation, insurance, occupancy and supplies have been allocated among the programs and supporting services benefited based on time spent.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

**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, 2017, from which the summarized information was derived

**Income taxes:** AACAP, AMCAP and the PAC are generally exempt from federal income taxes under the provisions of Section 501(c)(3), 501(c)(6) and 527(f)(3) of the Internal Revenue Code. In addition, AACAP has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue earned in AACAP's publications and certain transportation and parking benefits, less applicable deductions, are subject to unrelated business income tax. There were no net tax liabilities for unrelated business income for the year ended December 31, 2018.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

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

Management evaluated the Academy's tax positions and concluded that the Academy had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

**Adopted accounting pronouncement:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Academy adopted this ASU in 2018.

**Pending accounting pronouncements:** In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective on January 1, 2020, with early adoption permitted.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Academy is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where the Academy is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted.

**Reclassifications:** Certain items in the December 31, 2017 consolidated financial statements have been reclassified to conform to the December 31, 2018 consolidated financial statement presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

**Subsequent events:** The Academy evaluated subsequent events through September 26, 2019, which is the date the consolidated financial statements were available to be issued.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 2. Availability and Liquidity

The Academy maintains a policy of structuring its financial assets to be available as its general operating expenses come due. The table below represents financial assets available to meet general expenditures within one year as of December 31, 2018:

Cash	\$ 1,301,215
Investments	14,405,934
Accounts receivable	<u>1,285,258</u>
Total financial assets available	<u>\$ 16,992,407</u>
Less amounts not available to be used within one year:	
Regional council dues payable	273,998
Net assets with donor restrictions	<u>3,786,098</u>
	<u>4,060,096</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 12,932,311</u></u>

#### Note 3. Receivables

Receivables at December 31, 2018, consist of the following:

Year Ended December 31, 2018

Federal grant receivables	\$ 1,175,101
General receivables	<u>125,467</u>
	1,300,568
Less allowance for doubtful accounts	<u>15,310</u>
	<u><u>\$ 1,285,258</u></u>

#### Note 4. Property and Equipment

Property and equipment at December 31, 2018, and depreciation expense for the year then ended, consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	10 to 40 years	\$ 4,242,706	\$ 3,181,811	\$ 1,060,895	\$ 132,436
Office equipment, computers and software	3 to 10 years	610,314	523,310	87,004	39,750
Land	-	375,417	-	375,417	-
		<u>\$ 5,228,437</u>	<u>\$ 3,705,121</u>	<u>\$ 1,523,316</u>	<u>\$ 172,186</u>

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 5. Deferred Revenue

Deferred revenue at December 31, 2018, consists of the following:

Membership dues	\$ 1,198,410
Meeting registration	273,035
Initial publishing royalty	40,000
Others	80,384
	<u>\$ 1,591,829</u>

#### Note 6. Retirement Plan

The Academy maintains a defined contribution pension plan for its full-time employees. Contributions are made on behalf of eligible employees at the rate of 10% of their compensation. Amounts contributed to the plan for the year ended December 31, 2018, were \$ 216,219.

#### Note 7. Commitments and Contingencies

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

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

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

#### Note 8. Net Assets with Donor Restrictions

The composition of restricted net assets as of December 31, 2018, along with the activity in the restricted funds for the year then ended, is as follows:

For the year ended December 31, 2018, the Academy allocated investment activity to its restricted net asset funds on a monthly basis. This allocation has two components. The first is an allocation based on the balance and activity in each restricted fund. The second is an allocation based on the balance and activity in each restricted fund held in perpetuity. In each of the two allocations described above, the allocation methodology is the same. The allocations were calculated for each fund based on the balance in each fund at the end of the month, plus the current month activities, divided by the Academy's average investment balance for the month, multiplied by the Academy's net investment activity for the month.

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

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

#### Note 8. Net Assets with Donor Restrictions (Continued)

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

	Balance December 31, 2017	Contributions	Net Assets Released from Restrictions	Investment Loss on Restricted Net Assets	Transfer to Restricted Net Assets	Balance December 31, 2018
E. Schlosser Lewis Endowment Fund	\$ 991,512	\$ 30,000	\$ 41,362	\$ 66,652	\$ -	\$ 913,498
Endowment Fund	914,190	550	64,485	58,862	9,978	801,371
John E. Schowalter, MD Endowment Fund	303,912	100,100	2,515	19,661	-	381,836
Campaign for America Kids	393,475	90,756	67,083	26,046	(9,978)	381,124
Abramson Endowment Fund	283,579	-	32,126	19,054	-	232,399
Marilyn B Benoit Child Maltreatment Award	215,129	-	9,237	14,132	-	191,760
Berman Learning Disability Fund	148,549	-	66	10,122	-	138,361
Philips Fund for Prevention Endowment Fund	140,353	-	5,621	9,302	-	125,430
Paramjit Toor Joshi, MD International Scholars Endowment Fund	118,830	-	5,142	7,871	-	105,817
James C. Harris, MD Endowment Fund	109,790	-	-	7,827	-	101,963
International Fund - Ulku Ulgur, MD Int'l Scholar Fund	70,237	2,460	2,590	4,947	-	65,160
E. James Anthony Endowment Fund	59,897	1,500	52	4,125	-	57,220
Life Member Fund	50,439	55,971	44,811	5,220	-	56,379
Amaya Fund (The Marc Amaya Award of NC)	63,601	1,050	4,138	4,288	-	56,225
Tarjan Developmental Disabilities Award	30,130	-	2,191	1,954	-	25,985
Pilot Research Awards (Pfizer)	615	40,000	15,247	-	-	25,368
Aubrey Metcalf Fund (Northern California-ROCAP)	26,388	-	500	1,758	-	24,130
Klingenstein	17,105	32,000	25,490	-	-	23,615
NIDA AACAP Resident Research Award II 2015-2018	25,451	-	2,949	-	-	22,502
Psycho Dynamic Faculty	-	30,000	9,587	-	-	20,413
Simon Wile Fund - Liason Psychiatry Award	23,188	-	2,264	1,483	-	19,441
Beatrix Hamburg Award	8,373	-	1,305	519	-	6,549
International Fund	4,022	25	-	276	-	3,771
Spurlock Minority Research Fellowship - NIDA	4,145	15,000	15,623	-	-	3,522
Cancro Academic Achievement Award	6,060	-	3,581	220	-	2,259
Spurlock Fund-AACAP	1,630	500	2,102	28	-	-
	<u>\$ 4,010,600</u>	<u>\$ 399,912</u>	<u>\$ 360,067</u>	<u>\$ 264,347</u>	<u>\$ -</u>	<u>\$ 3,786,098</u>

The transfer between restricted net assets is due to a change in donor restriction during the year ended December 31, 2018.

#### Note 9. Donor Restricted Endowment and Board Designated Net Assets

The Academy follows the Codification subtopic, Reporting Endowment Funds. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. Management has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Academy classifies as donor restricted net assets that are held in perpetuity (a) the original value of donor restricted cash contribution and (b) the discounted value of future donor restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of the Academy and donor-restricted endowment fund
- The duration and preservation of the funds
- General economic conditions

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies

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

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

The Academy's endowment funds consist of the following at December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 2,719,534	\$ 2,719,534
Board designated endowment funds	746,365	-	746,365
	<u>\$ 746,365</u>	<u>\$ 2,719,534</u>	<u>\$ 3,465,899</u>

Endowment fund activity for the year ended December 31, 2018, consists of the following:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 836,496	\$ 2,922,060	\$ 3,758,556
Contributions	-	132,150	132,150
Current year designations	2,690	-	2,690
Investment loss, net	(56,902)	(193,355)	(250,257)
Amounts appropriated for expenditure	(35,919)	(141,321)	(177,240)
Endowment net assets, end of year	<u>\$ 746,365</u>	<u>\$ 2,719,534</u>	<u>\$ 3,465,899</u>

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

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

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

Donor restricted endowment net assets to be held in perpetuity at December 31, 2018, consists of the following endowments:

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

Board designated net assets activity for the year ended December 31, 2018, consists of the following programs:

	Balance December 31, 2017	Current Year Designations and Investment Income	Net Assets Released From Designations	Balance December 31, 2018
Presidential initiative funds:				
Dr. Wagner Presidential Initiative Fund	\$ 57,138	\$ -	\$ (16,870)	\$ 40,268
	<u>57,138</u>	<u>-</u>	<u>(16,870)</u>	<u>40,268</u>
Other funds:				
Noshpitz/ Cline History Lecture	70,861	(4,830)	(2,500)	63,531
Karl Menninger Plenary	184,299	(12,560)	(17,800)	153,939
Lawrence A. Stone, MD Plenary	132,429	(9,025)	(5,000)	118,404
Douglas Hansen Annual Review	116,417	(7,922)	(5,154)	103,341
Virginia Q. Anthony Fund	82,824	(3,076)	(2,142)	77,606
Jerry M. Wiener Resident	21,875	(1,490)	-	20,385
John F McDermott Assistant Editor in Residence	76,164	(5,119)	(300)	70,745
John E. Schowalter, MD Resident	71,519	(4,874)	-	66,645
Stubblefield House of Delegates	80,108	(5,316)	(3,023)	71,769
	<u>836,496</u>	<u>(54,212)</u>	<u>(35,919)</u>	<u>746,365</u>
	<u>\$ 893,634</u>	<u>\$ (54,212)</u>	<u>\$ (52,789)</u>	<u>\$ 786,633</u>

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

#### Note 10. Investments and Fair Value Measurements

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

**Level 1:** Quoted market prices in active markets for identical assets or liabilities.

## American Academy of Child and Adolescent Psychiatry and Affiliates

### Notes to Consolidated Financial Statements

---

#### Note 10. Investments and Fair Value Measurements (Continued)

**Level 2:** Observable market based inputs or unobservable inputs corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Academy performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Academy had no Level 2 or Level 3 investments at December 31, 2018.

The table below presents the balances of assets at December 31, 2018, measured at fair value on a recurring basis by level within the hierarchy:

	Total All Level 1
Money market fund	<u>\$ 66,788</u>
Mutual funds:	
Large blend	3,452,466
Intermediate-term bond	3,286,385
Tactical allocation	2,286,359
Foreign large blend	2,161,947
Diversified emerging markets	735,585
Foreign small cap	714,200
Small cap blend	693,373
Bank loan	436,450
Emerging markets bond	372,998
Large growth	125,134
High yield bond	72,256
	<u>14,337,153</u>
Healthcare common stock	1,993
Total investments	<u>\$ 14,405,934</u>

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

Net investment loss for the year ended December 31, 2018, consists of the following:

Realized and unrealized loss on investments	\$ (1,337,366)
Dividends and interest	381,282
	<u>(956,084)</u>
Less management fees	68,192
	<u>\$ (1,024,276)</u>