

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Financial Report
December 31, 2021

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	7-18



RSM US LLP

Independent Auditor's Report

The Council
American Academy of Child and Adolescent Psychiatry

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of American Academy of Child and Adolescent Psychiatry and its affiliate (the Academy), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Academy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
March 14, 2024

American Academy of Child and Adolescent Psychiatry and Affiliates

**Consolidated Balance Sheet
December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Assets		
Cash	\$ 3,311,024	\$ 2,742,331
Investments	18,244,002	16,280,467
Receivables, net	1,262,439	802,869
Prepaid expenses and other	108,218	158,446
Property and equipment, net	1,309,693	1,378,219
Investments held for endowments	4,557,221	3,426,951
	<u>4,557,221</u>	<u>3,426,951</u>
Total assets	\$ 28,792,597	\$ 24,789,283
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,255,465	\$ 1,367,385
Regional council dues payable	269,878	1,914
Deferred revenue	1,614,711	1,624,285
Refundable advance	-	619,440
	<u>3,140,054</u>	<u>3,613,024</u>
Total liabilities	3,140,054	3,613,024
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions:		
Undesignated	18,251,852	14,992,144
Board-designated	1,148,008	1,040,575
	<u>19,399,860</u>	<u>16,032,719</u>
With donor restrictions	6,252,683	5,143,540
	<u>6,252,683</u>	<u>5,143,540</u>
	<u>25,652,543</u>	<u>21,176,259</u>
Total liabilities and net assets	\$ 28,792,597	\$ 24,789,283

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Membership dues and fees	\$ 2,977,210	\$ -	\$ 2,977,210	\$ 3,009,717
Investment income, net	1,953,077	717,841	2,670,918	2,427,678
Annual meeting and institutes	2,457,556	-	2,457,556	2,174,801
Grants and contributions	1,477,860	651,598	2,129,458	1,989,100
Journal and royalties	1,623,808	-	1,623,808	1,497,344
PPP loan forgiveness income	619,440	-	619,440	-
Publications	270,973	-	270,973	294,200
Member benefit royalties	270,000	-	270,000	270,000
Training	201,758	-	201,758	111,813
Advertising	18,000	-	18,000	425
Other income	142,322	-	142,322	4,731
Net assets released from restrictions	260,296	(260,296)	-	-
Total revenue and support	12,272,300	1,109,143	13,381,443	11,779,809
Expenses:				
Program services:				
Research	2,072,422	-	2,072,422	1,957,208
Meetings and CME	2,009,872	-	2,009,872	1,730,780
Journal	935,626	-	935,626	905,202
Membership and communication	1,014,579	-	1,014,579	893,182
Clinical practice	843,293	-	843,293	775,916
Advocacy	586,084	-	586,084	752,225
Total program services	7,461,876	-	7,461,876	7,014,513
Supporting services:				
Administration	1,147,560	-	1,147,560	1,004,824
Fundraising	295,723	-	295,723	283,898
Total supporting services	1,443,283	-	1,443,283	1,288,722
Total expenses	8,905,159	-	8,905,159	8,303,235
Change in net assets	3,367,141	1,109,143	4,476,284	3,476,574
Net assets:				
Beginning	16,032,719	5,143,540	21,176,259	17,699,685
Ending	\$ 19,399,860	\$ 6,252,683	\$ 25,652,543	\$ 21,176,259

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021											2020 Total
	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Total	
	Research	Meetings and CME	Journal	Membership and Communications	Clinical Practice	Advocacy		Administration	Fundraising			
Personnel	\$ 330,124	\$ 795,240	\$ 285,804	\$ 533,884	\$ 451,820	\$ 274,390	\$ 2,671,262	\$ 1,284,369	\$ 109,469	\$ 1,393,838	\$ 4,065,100	\$ 3,815,028
Professional services	33,913	99,496	10,792	2,395	84,152	44,683	275,431	656,715	9,146	665,861	941,292	1,033,830
Meetings and travel	5,179	301,654	-	-	-	-	306,833	170,192	223	170,415	477,248	140,890
Publications, printing and design	2,519	21,012	365,032	132,607	4,892	13,002	539,064	20,522	8,484	29,006	568,070	526,010
Occupancy and supplies	2,338	46	681	643	168	-	3,876	254,449	1,594	256,043	259,919	406,528
Telecommunications	-	58,791	-	-	-	-	58,791	128,445	-	128,445	187,236	105,128
Honoraria and awards	222,017	93,200	80,000	-	7,500	15,335	418,052	87,500	79,038	166,538	584,590	562,475
Research support	1,274,748	-	-	-	-	-	1,274,748	-	-	-	1,274,748	1,228,031
Tax, licenses and fees	-	-	-	-	-	4,359	4,359	211,114	14,023	225,137	229,496	165,825
Depreciation	-	20,836	-	-	-	-	20,836	71,639	-	71,639	92,475	95,971
Insurance	-	12,693	-	-	-	-	12,693	69,745	-	69,745	82,438	60,508
Other	609	38,953	8,614	3,830	-	39,583	91,589	50,659	299	50,958	142,547	163,011
Total expenses before allocation	1,871,447	1,441,921	750,923	673,359	548,532	391,352	5,677,534	3,005,349	222,276	3,227,625	8,905,159	8,303,235
Allocation of overhead expenses	200,975	567,951	184,703	341,220	294,761	194,732	1,784,342	(1,857,789)	73,447	(1,784,342)	-	-
Total expenses	\$ 2,072,422	\$ 2,009,872	\$ 935,626	\$ 1,014,579	\$ 843,293	\$ 586,084	\$ 7,461,876	\$ 1,147,560	\$ 295,723	\$ 1,443,283	\$ 8,905,159	\$ 8,303,235

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,476,284	\$ 3,476,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments, net	(2,226,021)	(2,173,990)
Depreciation	92,475	95,971
Change in allowance for doubtful accounts	(12,070)	2,882
Contributions restricted for long-term investment	(629,983)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(447,500)	(54,307)
Prepaid expenses and other	50,228	(40,818)
Increase (decrease) in:		
Accounts payable and accrued expenses	(111,920)	(230,609)
Regional council dues payable	267,964	(249,947)
Deferred revenue	(9,574)	(217,873)
Refundable advance	(619,440)	619,440
Net cash provided by operating activities	830,443	1,227,323
Cash flows from investing activities:		
Purchases of property and equipment	(23,949)	(42,545)
Proceeds from sales of investments	7,511,212	2,436,626
Purchases of investments	(8,378,996)	(2,756,624)
Net cash used in investing activities	(891,733)	(362,543)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	629,983	-
Net cash provided by financing activities	629,983	-
Net increase in cash	568,693	864,780
Cash:		
Beginning	2,742,331	1,877,551
Ending	\$ 3,311,024	\$ 2,742,331

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 health care environment by addressing the needs of children, adolescents and families. AACAP represents child and adolescent psychiatrists with at least five years of additional training beyond medical school, including two years in child and adolescent psychiatry residency. AACAP members actively research, diagnose and treat psychiatric disorders affecting children, adolescents and their families. AACAP supports this work through a variety of programs including government liaison, national public information and continuing education.

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

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

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

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

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

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

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

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

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objects of the Academy. The Academy's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets are subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature, those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has restricted the funds be maintained in perpetuity.

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

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

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

Receivables: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts receivable of \$1,434 at December 31, 2021, is based on management's evaluation of the collectability of receivables.

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

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

The Academy receives federal and nonfederal grants. Unconditional federal and nonfederal grants are recognized when received. Federal and nonfederal grants determined to be conditional are recognized as revenue as services are performed and costs are incurred as the barrier to recognition and then follow the policy for unconditional contributions. Conditional grants are recognized when the barriers to recognition are substantially met. Such grant funds received prior to barriers being met are reported as deferred revenue.

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

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

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

Prior year information: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Academy's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Income taxes: AACAP, AMCAP and the PAC are generally exempt from federal income taxes under the provisions of Section 501(c)(3), 501(c)(6) and 527(f)(3) of the Internal Revenue Code. In addition, AACAP has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue earned in AACAP's publications, less applicable deductions, are subject to unrelated business income tax. There were no net tax liabilities for unrelated business income for the year ended December 31, 2021.

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

Pending accounting pronouncements: In February 2016, the FASB issued ASU 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. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The ASU is effective for the Academy for the year ending December 31, 2022. The Academy is currently evaluating the impact of the pending adoption of the new standard on the 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 (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 31, 2022, including interim periods within those fiscal years. ASU 2016-13 is effective for the Academy as of January 1, 2023. The Academy is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

Subsequent events: The Academy has evaluated subsequent events through March 14, 2024, the date on which the consolidated financial statements were available to be issued.

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

Note 2. Availability and Liquidity

The Academy maintains a policy of structuring its financial assets to be available as its general operating expenses come due. The table below represents financial assets available to meet general expenditures within one year as of December 31, 2021:

Cash	\$ 3,311,024
Investments	18,244,002
Receivables	1,262,439
Investments held for endowments	4,557,221
Total financial assets available	<u>27,374,686</u>
Less amounts not available to be used within one year:	
Regional council dues payable	269,878
Board-designated funds	1,148,008
Net assets with donor restrictions	6,252,683
	<u>7,670,569</u>
Financial assets available to meet general expenditures within one year	<u>\$ 19,704,117</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 3. Receivables

Receivables at December 31, 2021, consist of the following:

Federal grant receivables	\$ 1,086,675
General receivables	177,198
	<u>1,263,873</u>
Less allowance for doubtful accounts	1,434
	<u>\$ 1,262,439</u>

General receivables net of allowance for doubtful accounts at January 1, 2021 were \$8,627.

Note 4. Property and Equipment

Property and equipment at December 31, 2021, and depreciation expense for the year then ended consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	10-40 years	\$ 4,242,706	\$ 3,393,349	\$ 849,357	\$ 63,912
Office equipment, computers and software	3-10 years	699,659	614,740	84,919	28,563
Land	-	375,417	-	375,417	-
		<u>\$ 5,317,782</u>	<u>\$ 4,008,089</u>	<u>\$ 1,309,693</u>	<u>\$ 92,475</u>

Note 5. Deferred Revenue

Deferred revenue at December 31, 2021, consists of the following:

Membership dues	\$ 1,194,407
Initial publishing royalty	267,858
Meeting registration and other	152,446
	<u>\$ 1,614,711</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, 2021, were \$289,504.

Note 7. Commitments and Contingencies

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

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 7. Commitments and Contingencies (Continued)

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

Note 8. Conditional Grants

The Academy often receives conditional grants from the U.S. government and other funders. Conditional grants are recognized as earned in the year in which the Academy incurs qualified expenses which also meet the conditions. Conditional grant funds received in excess of costs incurred are recorded as deferred revenue. Qualified expenses (which also meet the conditions) incurred in excess of funds received are recorded as grants receivable. The Academy had the following conditional grants as of December 31, 2021:

Funder	Total Active Conditional Grants	Amount Earned Through 2021	Amount Left to Earn
Department of Health and Human Services	\$ 10,114,077	\$ 2,062,175	\$ 8,051,902

Note 9. Net Assets With Donor Restrictions

The composition of restricted net assets as of December 31, 2021, along with the activity in the restricted funds for the year then ended, is as follows:

For the year ended December 31, 2021, the Academy allocated investment activity to its restricted net asset funds on a monthly basis. This allocation has two components. The first is an allocation based on the balance and activity in each restricted fund. The second is an allocation based on the balance and activity in each restricted fund held in perpetuity. In each of the two allocations described above, the allocation methodology is the same. The allocations were calculated for each fund based on the balance in each fund at the end of the month, plus the current month's activities, divided by the Academy's average investment balance for the month, multiplied by the Academy's net investment activity for the month.

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

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

	Balance December 31,		Net Assets Released from	Investment Gain on Restricted Net Assets	Balance December 31,
	2020	Contributions	Restrictions		2021
E. Schlosser Lewis Endowment Fund	\$ 1,156,779	\$ 5,500	\$ (32,295)	\$ 146,049	\$ 1,276,033
Endowment Fund	914,096	1,395	-	132,718	1,048,209
Campaign for America Kids	596,247	64,232	(49,088)	75,309	686,700
John E. Schowalter, MD Endowment Fund	477,928	100	(159)	60,202	538,071
Leatherman-Ritvo	276,220	5,350	(388)	101,064	382,246
Abramson Endowment Fund	320,290	-	(200)	42,927	363,017
Carlson Psychopharmacology Research Award	-	340,993	-	-	340,993
Marilyn B Benoit Child Maltreatment Award	245,013	-	(12,981)	29,924	261,956
Berman Learning Disability Fund	177,201	-	(5,550)	21,805	193,456
Philips Fund for Prevention Endowment Fund	175,663	-	(5,467)	19,941	190,137
Paramjit Toor Joshi, MD International Scholars Endowment Fund	156,239	-	(5,000)	17,855	169,094
James C. Harris, MD Endowment Fund	140,360	-	(2,873)	15,912	153,399
Life Member Fund	100,266	38,303	(10,580)	13,991	141,980
Irving Berlin Award	-	100,000	-	-	100,000
International Fund—Ulku Ulgur, MD Int'l Scholar Fund	86,875	500	(2,500)	10,841	95,716
E. James Anthony Endowment Fund	85,596	625	-	9,600	95,821
Amaya Fund (The Marc Amaya Award of NC)	69,790	2,100	-	9,304	81,194
Aubrey Metcalf Fund (Northern California-ROCAP)	34,997	-	-	3,991	38,988
Tarjan Developmental Disabilities Award	33,415	-	(2,361)	3,722	34,776
NIDA AACAP Resident Research Award II 2017/18	36,907	15,000	(33,965)	-	17,942
Simon Wile Fund—Liaison Psychiatry Award	17,910	-	(2,086)	1,984	17,808
Spurlock Minority Research Fellowship—NIDA	7,097	41,500	(41,161)	-	7,436
Psychodynamic Faculty	12,472	2,000	(9,268)	-	5,204
Beatrix Hamburg Award	5,878	-	(1,171)	618	5,325
Pilot Research Awards (Pfizer)	15,564	2,000	(13,678)	-	3,886
Klingenstein	-	32,000	(29,525)	-	2,475
Cancro Academic Achievement Award	737	-	-	84	821
	<u>\$ 5,143,540</u>	<u>\$ 651,598</u>	<u>\$ (260,296)</u>	<u>\$ 717,841</u>	<u>\$ 6,252,683</u>

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

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

- The purposes of the Academy and donor-restricted endowment fund

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

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

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

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

Underwater policy: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Academy. There were no such deficiencies at December 31, 2021.

The Academy's endowment funds consist of the following at December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,557,221	\$ 4,557,221
Board-designated endowment funds	1,148,008	-	1,148,008
	<u>\$ 1,148,008</u>	<u>\$ 4,557,221</u>	<u>\$ 5,705,229</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

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

Endowment fund activity for the year ended December 31, 2021, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,040,575	\$ 3,426,951	\$ 4,467,526
Grants and contributions	-	629,983	629,983
Current year designations	2,350	-	2,350
Investment income, net	118,550	546,467	665,017
Amounts appropriated for expenditure	(13,467)	(46,180)	(59,647)
Endowment net assets, end of year	<u>\$ 1,148,008</u>	<u>\$ 4,557,221</u>	<u>\$ 5,705,229</u>

All Academy endowment funds are included with the investments as shown in Note 11.

Donor-restricted endowment net assets to be held in perpetuity (corpus amounts) at December 31, 2021, consist of the following:

E. Schlosser Lewis Endowment Fund	\$ 814,308 745,515
Carlson Psychopharmacology Research Award	340,993
John E. Schowalter, MD Fund	275,100
Leatherman-Ritvo Abramson Fund	250,000 177,805
Paramjit Toor Joshi, MD International Scholars Fund	105,300
Philips Fund for Prevention	103,055
James C. Harris, MD Developmental Neuropsychiatry Forum	100,000
E. James Anthony Fund	50,500
	<u>\$ 2,962,576</u>

Board-designated net assets activity for the year ended December 31, 2021, consists of the following programs:

	Balance December 31, 2020	Current Year Designations and Investment Income	Net Assets Released From Designations	Balance December 31, 2021
Noshpitz/ Cline History Lecture	\$ 90,687	\$ 10,296	\$ (1,400)	\$ 99,583
Karl Menninger Plenary	176,138	19,905	(7,639)	188,404
Lawrence A. Stone, MD Plenary	170,923	19,419	(2,091)	188,251
Douglas Hansen Annual Review	151,001	17,218	-	168,219
Virginia Q. Anthony Fund	112,807	14,785	(2,122)	125,470
Jerry M. Wiener Resident	30,377	3,971	-	34,348
John F McDermott Assistant Editor in Residence	110,234	12,682	(215)	122,701
John E. Schowalter, MD Resident	96,662	11,022	-	107,684
Stubblefield House of Delegates	101,746	11,602	-	113,348
	<u>\$ 1,040,575</u>	<u>\$ 120,900</u>	<u>\$ (13,467)</u>	<u>\$ 1,148,008</u>

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 11. Investments and Fair Value Measurements

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

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

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

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

In determining the appropriate levels, the Academy performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Academy had no Level 2 or Level 3 investments at December 31, 2021.

The table below presents the balances of assets at December 31, 2021, measured at fair value on a recurring basis by level within the hierarchy:

	<u>Total All Level 1</u>
Money market fund	<u>\$ 107,725</u>
Mutual funds:	
Large Blend	11,632,294
Intermediate-Term Bond	3,971,050
Tactical Allocation	3,405,008
Foreign Large Blend	844,423
Small Cap International	798,567
Bank Loan	428,127
Emerging Markets Bond	491,755
Large Growth	1,022,754
High Yield Bond	99,520
	<u>22,693,498</u>
Total investments	22,801,223
Less investments held for endowments	<u>(4,557,221)</u>
Investments	<u><u>\$ 18,244,002</u></u>

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

American Academy of Child and Adolescent Psychiatry and Affiliates

Notes to Consolidated Financial Statements

Note 11. Investments and Fair Value Measurements (Continued)

Net investment income for the year ended December 31, 2021, consists of the following:

Realized and unrealized gain on investments, net	\$ 2,226,021
Dividends and interest	<u>535,104</u>
	2,761,125
Less management fees	<u>90,207</u>
	<u>\$ 2,670,918</u>