American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

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, 2020, 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.

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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, 2020, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
March 30, 2022

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Balance Sheet
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash	**$ 2,742,331**	$ 1,877,551
Investments	**19,707,418**	17,213,430
Receivables, net	**802,869**	751,444
Prepaid expenses and other	**158,446**	117,628
Property and equipment, net	**1,378,219**	1,431,645
Total assets	**$ 24,789,283**	$ 21,391,698
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,367,385**	$ 1,597,994
Regional council dues payable	**1,914**	251,861
Deferred revenue	**1,624,285**	1,842,158
Refundable advance	**619,440**	-
Total liabilities	**3,613,024**	3,692,013
Commitments and contingencies (Note 7 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	**14,992,144**	12,488,449
Board-designated	**1,040,575**	881,365
	16,032,719	13,369,814
With donor restrictions	**5,143,540**	4,329,871
	21,176,259	17,699,685
Total liabilities and net assets	**$ 24,789,283**	$ 21,391,698

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019
Revenue and support:				
Membership dues and fees	**$ 3,009,717**	**$ -**	**$ 3,009,717**	$ 3,082,473
Annual meeting and institutes	**2,174,801**	**-**	**2,174,801**	2,782,937
Investment income, net	**1,825,130**	**602,548**	**2,427,678**	2,754,860
Grants and contributions	**1,562,386**	**426,714**	**1,989,100**	1,913,104
Journal and royalties	**1,497,344**	**-**	**1,497,344**	1,463,489
Publications	**294,200**	**-**	**294,200**	298,780
Member benefit royalties	**270,000**	**-**	**270,000**	270,000
Training	**111,813**	**-**	**111,813**	27,372
Other income	**4,731**	**-**	**4,731**	436
Advertising	**425**	**-**	**425**	23,701
Building—rental income	**-**	**-**	**-**	288
Net assets released from restrictions	**215,593**	**(215,593)**	**-**	-
Total revenue and support	**10,966,140**	**813,669**	**11,779,809**	12,617,440
Expenses:				
Program services:				
Research	**1,957,208**	**-**	**1,957,208**	2,111,110
Meetings and CME	**1,730,780**	**-**	**1,730,780**	2,627,637
Journal	**905,202**	**-**	**905,202**	1,049,362
Membership and communication	**893,182**	**-**	**893,182**	1,023,031
Clinical practice	**775,916**	**-**	**775,916**	1,218,268
Advocacy	**752,225**	**-**	**752,225**	889,209
Total program services	**7,014,513**	**-**	**7,014,513**	8,918,617
Supporting services:				
Administration	**1,004,824**	**-**	**1,004,824**	984,589
Fundraising	**283,898**	**-**	**283,898**	469,921
Total supporting services	**1,288,722**	**-**	**1,288,722**	1,454,510
Total expenses	**8,303,235**	**-**	**8,303,235**	10,373,127
Change in net assets	**2,662,905**	**813,669**	**3,476,574**	2,244,313
Net assets:				
Beginning	**13,369,814**	**4,329,871**	**17,699,685**	15,455,372
Ending	**$ 16,032,719**	**$ 5,143,540**	**$ 21,176,259**	$ 17,699,685

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020										
	Program Services							Supporting Services			
	Research	Meetings and CME	Journal	Membership and Communications	Clinical Practice	Advocacy	Total Program Services	Administration	Fundraising	Total Supporting Services	Total	2019 Total
Personnel	$ 310,885	$ 734,082	$ 273,026	$ 468,158	$ 423,853	$ 382,908	$ 2,592,912	$ 1,114,508	$ 107,608	$ 1,222,116	$ 3,815,028	$ 3,978,750
Professional services	33,892	115,402	1,639	6,791	49,959	7,460	215,143	810,975	7,712	818,687	1,033,830	1,065,398
Meetings and travel	10,434	69,919	-	14,189	7,418	21,851	123,811	17,079	-	17,079	140,890	1,751,032
Publications, printing and design	3,360	44,556	358,111	76,739	7,266	2,616	492,648	9,101	24,261	33,362	526,010	760,600
Occupancy and supplies	4,593	128,682	897	7,871	723	288	143,054	262,772	702	263,474	406,528	282,355
Telecommunications	39	38,444	-	-	401	57	38,941	66,187	-	66,187	105,128	243,990
Honoraria and awards	169,625	72,800	80,000	-	23,500	17,650	363,575	143,750	55,150	198,900	562,475	507,414
Research support	1,228,031	-	-	-	-	-	1,228,031	-	-	-	1,228,031	1,146,964
Tax, licenses and fees	1,435	2,498	373	-	309	4,648	9,263	136,675	19,887	156,562	165,825	254,932
Depreciation	-	7,697	-	-	-	-	7,697	88,274	-	88,274	95,971	113,903
Insurance	-	2,107	-	-	-	-	2,107	58,401	-	58,401	60,508	85,592
Other	-	35,188	2,447	6,135	1,811	99,434	145,015	17,410	586	17,996	163,011	182,197
Total expenses before allocation	1,762,294	1,251,375	716,493	579,883	515,240	536,912	5,362,197	2,725,132	215,906	2,941,038	8,303,235	10,373,127
Allocation of overhead expenses	194,914	479,405	188,709	313,299	260,676	215,313	1,652,316	(1,720,308)	67,992	(1,652,316)	-	-
Total expenses	$ 1,957,208	$ 1,730,780	$ 905,202	$ 893,182	$ 775,916	$ 752,225	$ 7,014,513	$ 1,004,824	$ 283,898	$ 1,288,722	$ 8,303,235	$ 10,373,127

See notes to consolidated financial statements.

American Academy of Child and Adolescent Psychiatry and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 3,476,574**	$ 2,244,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments, net	**(2,173,990)**	(2,412,734)
Depreciation	**95,971**	113,903
Change in allowance for doubtful accounts	**2,882**	1,076
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**(54,307)**	532,738
Prepaid expenses and other	**(40,818)**	82,328
Increase (decrease) in:		
Accounts payable and accrued expenses	**(230,609)**	203,514
Regional council dues payable	**(249,947)**	(22,137)
Deferred revenue	**(217,873)**	250,329
Refundable advance	**619,440**	-
Net cash provided by operating activities	**1,227,323**	993,330
Cash flows from investing activities:		
Purchases of property and equipment	**(42,545)**	(22,232)
Proceeds from sales of investments	**2,436,626**	3,762,131
Purchases of investments	**(2,756,624)**	(4,156,893)
Net cash used in investing activities	**(362,543)**	(416,994)
Net increase in cash	**864,780**	576,336
Cash:		
Beginning	**1,877,551**	1,301,215
Ending	**$ 2,742,331**	$ 1,877,551

See 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 practice parameters, 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.

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 (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.

Net assets without donor restrictions: Net assets that 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 $13,504 at December 31, 2020, 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 three to 40 years. The Academy capitalizes all property and equipment purchased with a cost of $2,000 or more.

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 is presented as a liability on the accompanying consolidated balance sheet. The Academy will reduce the refundable advance balance and recognize revenue once the forgiveness barrier has been substantially met. The Academy considers the barrier to be substantially met once forgiveness determination has been received. The Academy elected this treatment as the Academy expects to meet 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 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.

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.

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. 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.

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

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 (GAAP). Accordingly, such information should be read in conjunction with the Academy's consolidated financial statements for the year ended December 31, 2019, 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 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, 2020.

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 pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 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. This ASU was adopted by the Academy as a resource provider on the modified prospective basis during the year ended December 31, 2020. The adoption resulted in no significant impact.

In May 2014, the FASB issued ASU 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 a cumulative effect transition method. The ASU has been applied using the modified retrospective method. There was not a material impact to the Academy's net assets upon implementation or change in revenue recognition patterns.

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

Pending accounting pronouncement: 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.

Subsequent events: The Academy evaluated subsequent events through March 30, 2022, which is the date the consolidated financial statements were available to be issued.

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, 2020:

Cash	$ 2,742,331
Investments	19,707,418
Receivables, net	802,869
Total financial assets available	23,252,618
Less amounts not available to be used within one year:	
Regional council dues payable	1,914
Board designated funds	1,040,575
Net assets with donor restrictions	5,143,540
	6,186,029
Financial assets available to meet general expenditures within one year	$ 17,066,589

Note 3. Receivables

Receivables at December 31, 2020, consist of the following:

Federal grant receivables	$ 794,242
General receivables	22,131
	816,373
Less allowance for doubtful accounts	13,504
	$ 802,869

Note 4. Property and Equipment

Property and equipment at December 31, 2020, 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	$ 3,329,437	$ 913,269	$ 68,429
Office equipment, computers and software	3-10 years	675,291	585,758	89,533	27,542
Land	-	375,417	-	375,417	-
		$ 5,293,414	$ 3,915,195	$ 1,378,219	$ 95,971

Note 5. Deferred Revenue

Deferred revenue at December 31, 2020, consists of the following:

Membership dues	$ 1,256,345
Initial publishing royalty	336,429
Meeting registration and other	31,511
	$ 1,624,285

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, 2020, were $254,277.

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.

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, 2020:

Funder	Total Active Conditional Grants	Amount Earned Through 2020	Amount Left to Earn
Department of Health and Human Services	$ 8,727,653	$ 3,221,968	$ 5,505,685

Note 9. Net Assets with Donor Restrictions

The composition of restricted net assets as of December 31, 2020, along with the activity in the restricted funds for the year then ended, is as follows:

For the year ended December 31, 2020, 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 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.

Note 9. Net Assets with Donor Restrictions (Continued)

	Balance December 31, 2019	Contributions	Net Assets Released from Restrictions	Investment Gain on Restricted Net Assets	Balance December 31, 2020
E. Schlosser Lewis Endowment Fund	$ 1,062,781	$ 21,008	$ (35,890)	$ 108,880	$ 1,156,779
Endowment Fund	860,425	11,173	(60,457)	102,955	914,096
Campaign for America Kids	502,406	53,001	(18,939)	59,779	596,247
John E. Schowalter, MD Endowment Fund	425,357	200	-	52,371	477,928
Abramson Endowment Fund	276,564	400	-	43,326	320,290
Leatherman-Ritvo	-	252,000	-	24,220	276,220
Marilyn B Benoit Child Maltreatment Award	224,270	-	(10,032)	30,775	245,013
Berman Learning Disability Fund	160,158	-	(5,502)	22,545	177,201
Philips Fund for Prevention Endowment Fund	145,647	-	(5,037)	35,053	175,663
Paramjit Toor Joshi, MD International Scholars Endowment Fund	123,755	2,700	-	29,784	156,239
James C. Harris, MD Endowment Fund	115,095	-	(2,435)	27,700	140,360
Life Member Fund	52,693	36,208	(1,317)	12,682	100,266
International Fund - Ulku Ulgur, MD Int'l Scholar Fund	76,632	-	-	10,243	86,875
E. James Anthony Endowment Fund	66,920	1,000	-	17,676	85,596
Amaya Fund (The Marc Amaya Award of NC)	64,127	-	-	5,663	69,790
NIDA AACAP Resident Research Award II 2015-2018	22,502	29,024	(14,619)	-	36,907
Aubrey Metcalf Fund (Northern California-ROCAP)	28,208	-	-	6,789	34,997
Tarjan Developmental Disabilities Award	28,212	-	(1,587)	6,790	33,415
Simon Wile Fund - Liaison Psychiatry Award	15,742	-	(1,621)	3,789	17,910
Pilot Research Awards (Pfizer)	25,368	-	(9,804)	-	15,564
Psycho Dynamic Faculty	20,413	-	(7,941)	-	12,472
Spurlock Minority Research Fellowship - NIDA	3,522	20,000	(16,425)	-	7,097
Beatrix Hamburg Award	5,753	-	(1,260)	1,385	5,878
Cancro Academic Achievement Award	594	-	-	143	737
Klingenstein International Fund	18,317 4,410	-	(18,317) (4,410)	-	-
	$ 4,329,871	$ 426,714	$ (215,593)	$ 602,548	$ 5,143,540

Note 10. 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 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
- The duration and preservation of the funds
- General economic conditions
- The possible effect of inflation and deflation

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

- 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, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 3,426,951	$ 3,426,951
Board designated endowment funds	1,040,575	-	1,040,575
	$ 1,040,575	$ 3,426,951	$ 4,467,526

Endowment fund activity for the year ended December 31, 2020, consists of the following:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 841,097	$ 3,088,617	$ 3,929,714
Grants and contributions	-	36,480	$ 36,480
Current year designations	12,820	-	12,820
Investment income, net	202,428	416,174	618,602
Amounts appropriated for expenditure	(15,770)	(114,320)	(130,090)
Endowment net assets, end of year	$ 1,040,575	$ 3,426,951	$ 4,467,526

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

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

Donor restricted endowment net assets to be held in perpetuity at December 31, 2020, consists of the following endowments:

E. Schlosser Lewis	$ 814,308
Endowment Fund	745,515
John E. Schowalter, MD Fund	275,100
Abramson Fund	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
	$ 2,371,583

Board designated net assets activity for the year ended December 31, 2020, consists of the following programs:

	Balance December 31, 2019	Current Year Designations and Investment Income	Net Assets Released From Designations	Balance December 31, 2020
Presidential initiative funds:				
Dr. Wagner Presidential Initiative Fund	$ 40,268	$ -	$ (40,268)	$ -
	40,268	-	(40,268)	-
Other funds:				
Noshpitz/ Cline History Lecture	74,727	17,985	(2,025)	90,687
Karl Menninger Plenary	149,566	35,996	(9,424)	176,138
Lawrence A. Stone, MD Plenary	139,326	33,532	(1,935)	170,923
Douglas Hansen Annual Review	121,709	29,292	-	151,001
Virginia Q. Anthony Fund	90,763	24,164	(2,120)	112,807
Jerry M. Wiener Resident	24,081	6,296	-	30,377
John F McDermott Assistant Editor in Residence	81,005	29,496	(267)	110,234
John E. Schowalter, MD Resident	77,911	18,751	-	96,662
Stubblefield House of Delegates	82,009	19,737	-	101,746
	841,097	215,249	(15,771)	1,040,575
	$ 881,365	$ 215,249	$ (56,039)	$ 1,040,575

Note 11. 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 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.

Note 11. Investments and Fair Value Measurements (Continued)

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, 2020.

The table below presents the balances of assets at December 31, 2020, measured at fair value on a recurring basis by level within the hierarchy:

	Total All Level 1
Money market fund	$ 76,108
Mutual funds:	
Large blend	6,301,927
Intermediate-term bond	3,831,409
Tactical allocation	2,701,229
Large growth	1,451,239
Small cap blend	1,063,531
Foreign small cap	1,049,579
Diversified emerging markets	1,003,448
Foreign large blend	858,054
Emerging markets bond	471,368
High yield bond	450,341
Bank loan	449,185
	19,631,310
Total investments	$ 19,707,418

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.

Net investment income for the year ended December 31, 2020, consists of the following:

Realized and unrealized gain on investments, net	$ 2,173,990
Dividends and interest	327,697
	2,501,687
Less management fees	74,009
	$ 2,427,678

Note 12. Coronavirus

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the organization operates. Resulting economic uncertainties may impact both sponsorship and membership dues revenue in future periods with changing travel policies potentially further impacting conference revenue. It is not feasible at this time to fully quantify the future effects.

Note 13. Refundable Advance

Under the Coronavirus Aid, Relief, and Economic Security Act, the Academy applied for the PPP loan with Small Business Administration (SBA) and received $619,440 during the year ended December 31, 2020. At December 31, 2020, the PPP funds were recognized as a refundable advance of $619,440 on the accompanying consolidated balance sheet. Subsequent to December 31, 2020, the Academy received full forgiveness of the loan.