

**CONSOLIDATED FINANCIAL STATEMENTS**



AMERICAN  
**PSYCHIATRIC**  
ASSOCIATION

**AMERICAN PSYCHIATRIC  
ASSOCIATION AND AFFILIATES**

**FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014**

# AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
American Psychiatric Association and Affiliates  
Arlington, Virginia

We have audited the accompanying consolidated financial statements of the American Psychiatric Association and Affiliates (the Association), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2015 and 2014, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 32 - 40 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

June 8, 2016

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,031,988	\$ 15,960,596
Receivables:		
Accounts receivable, net	4,920,787	5,364,125
Grants and contracts receivable, net	123,817	104,288
Contributions receivable	84,433	478,271
Income taxes receivable	-	650,757
Publications inventory, net	1,482,405	1,661,348
Prepaid expenses	<u>367,744</u>	<u>695,606</u>
Total current assets	<u>30,011,174</u>	<u>24,914,991</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	1,681,800	1,681,125
Software	5,339,140	4,703,067
Leasehold improvements	<u>1,127,391</u>	<u>1,127,391</u>
	8,148,331	7,511,583
Less: Accumulated depreciation and amortization	<u>(6,350,870)</u>	<u>(5,262,367)</u>
Net fixed assets	<u>1,797,461</u>	<u>2,249,216</u>
<b>OTHER ASSETS</b>		
Investments	124,596,830	125,912,890
DSM 5 development costs, net	8,448,294	9,205,828
Lease/Purchase cost	689,148	-
Assets held under trust agreements	122,858	131,198
Deposits	<u>167,343</u>	<u>151,968</u>
Total other assets	<u>134,024,473</u>	<u>135,401,884</u>
<b>TOTAL ASSETS</b>	<b><u>\$165,833,108</u></b>	<b><u>\$162,566,091</u></b>

## LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,477,451	\$ 4,910,931
Deferred revenue:		
Membership	4,825,010	4,777,455
Subscriptions	5,927,068	5,599,141
Meetings	1,418,570	1,304,052
Other deferred revenue, current portion	1,187,615	440,774
Deferred rent abatement, current portion	387,302	318,222
Liabilities under trust agreements, current portion	<u>7,802</u>	<u>8,385</u>
Total current liabilities	<u>19,230,818</u>	<u>17,358,960</u>
<b>LONG-TERM LIABILITIES</b>		
Other deferred revenue, net of current portion	1,916,667	-
Accrued pension liability	4,285,061	4,672,671
Deferred rent abatement, net of current portion	468,620	855,922
Deferred compensation plan	1,765,659	2,000,672
Liabilities under trust agreements, net of current portion	<u>46,806</u>	<u>57,022</u>
Total long-term liabilities	<u>8,482,813</u>	<u>7,586,287</u>
Total liabilities	<u>27,713,631</u>	<u>24,945,247</u>
<b>NET ASSETS</b>		
Unrestricted	131,052,646	131,677,254
Temporarily restricted	6,401,051	5,285,635
Permanently restricted	<u>665,780</u>	<u>657,955</u>
Total net assets	<u>138,119,477</u>	<u>137,620,844</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$165,833,108</u></b>	<b><u>\$162,566,091</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUE</b>				
Publications	\$ 28,419,774	\$ -	\$ -	\$ 28,419,774
Annual meeting	9,499,689	-	-	9,499,689
Membership dues	10,005,381	-	-	10,005,381
Contributions	630,587	2,495,881	7,825	3,134,293
Government grants and contracts	908,284	-	-	908,284
Royalties	1,003,333	-	-	1,003,333
Other revenue	1,308,285	-	-	1,308,285
Change in value of unitrust agreement	-	2,411	-	2,411
Net assets released from donor restrictions	<u>1,412,306</u>	<u>(1,412,306)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>53,187,639</u>	<u>1,085,986</u>	<u>7,825</u>	<u>54,281,450</u>
<b>EXPENSES</b>				
Program Services:				
Publications	15,444,826	-	-	15,444,826
CME and life long learning	6,777,770	-	-	6,777,770
External affairs	6,438,200	-	-	6,438,200
Research and Training	5,552,422	-	-	5,552,422
Member relations	2,475,985	-	-	2,475,985
Public education	<u>2,043,109</u>	<u>-</u>	<u>-</u>	<u>2,043,109</u>
Total program services	<u>38,732,312</u>	<u>-</u>	<u>-</u>	<u>38,732,312</u>
Supporting Services:				
General and administrative	12,337,832	-	-	12,337,832
Governance	3,252,669	-	-	3,252,669
Fundraising	<u>359,718</u>	<u>-</u>	<u>-</u>	<u>359,718</u>
Total supporting services	<u>15,950,219</u>	<u>-</u>	<u>-</u>	<u>15,950,219</u>
Total expenses	<u>54,682,531</u>	<u>-</u>	<u>-</u>	<u>54,682,531</u>
Changes in net assets before other items	<u>(1,494,892)</u>	<u>1,085,986</u>	<u>7,825</u>	<u>(401,081)</u>
<b>OTHER ITEMS</b>				
Investment income	1,140,656	29,430	-	1,170,086
Minimum pension liability adjustment	41,410	-	-	41,410
Income tax expense	<u>(311,782)</u>	<u>-</u>	<u>-</u>	<u>(311,782)</u>
Total other items	<u>870,284</u>	<u>29,430</u>	<u>-</u>	<u>899,714</u>
Changes in net assets	(624,608)	1,115,416	7,825	498,633
Net assets at beginning of year	<u>131,677,254</u>	<u>5,285,635</u>	<u>657,955</u>	<u>137,620,844</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$131,052,646</u></b>	<b><u>\$ 6,401,051</u></b>	<b><u>\$ 665,780</u></b>	<b><u>\$ 138,119,477</u></b>

See accompanying notes to consolidated financial statements.

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 32,383,317	\$ -	\$ -	\$ 32,383,317
11,541,081	-	-	11,541,081
9,908,093	-	-	9,908,093
765,643	1,786,159	39,430	2,591,232
1,737,068	-	-	1,737,068
1,000,000	-	-	1,000,000
1,385,656	-	-	1,385,656
-	(4,047)	-	(4,047)
<u>2,122,647</u>	<u>(2,122,647)</u>	<u>-</u>	<u>-</u>
<u>60,843,505</u>	<u>(340,535)</u>	<u>39,430</u>	<u>60,542,400</u>
16,581,750	-	-	16,581,750
8,691,618	-	-	8,691,618
4,691,598	-	-	4,691,598
5,793,790	-	-	5,793,790
2,358,479	-	-	2,358,479
<u>2,210,504</u>	<u>-</u>	<u>-</u>	<u>2,210,504</u>
<u>40,327,739</u>	<u>-</u>	<u>-</u>	<u>40,327,739</u>
14,124,435	-	-	14,124,435
3,222,902	-	-	3,222,902
<u>174,701</u>	<u>-</u>	<u>-</u>	<u>174,701</u>
<u>17,522,038</u>	<u>-</u>	<u>-</u>	<u>17,522,038</u>
<u>57,849,777</u>	<u>-</u>	<u>-</u>	<u>57,849,777</u>
<u>2,993,728</u>	<u>(340,535)</u>	<u>39,430</u>	<u>2,692,623</u>
8,102,623	188,460	-	8,291,083
(2,849,910)	-	-	(2,849,910)
<u>(263,261)</u>	<u>-</u>	<u>-</u>	<u>(263,261)</u>
<u>4,989,452</u>	<u>188,460</u>	<u>-</u>	<u>5,177,912</u>
7,983,180	(152,075)	39,430	7,870,535
<u>123,694,074</u>	<u>5,437,710</u>	<u>618,525</u>	<u>129,750,309</u>
<b><u>\$131,677,254</u></b>	<b><u>\$ 5,285,635</u></b>	<b><u>\$ 657,955</u></b>	<b><u>\$ 137,620,844</u></b>



## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 498,633	\$ 7,870,535
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,088,503	975,353
Amortization of development costs	757,534	2,637,145
Unrealized loss	2,473,176	818,004
Realized gain	(423,229)	(5,961,698)
Permanently restricted contributions	(7,825)	(39,430)
Change in value of liability under unitrust agreement	(2,411)	4,047
Change in allowance for doubtful accounts	(29,094)	(36,788)
Direct write-off of contributions receivable	150,963	5,586
Change in allowance and direct write-offs for obsolete inventory	34,688	(154,586)
(Increase) decrease in:		
Accounts receivable	472,432	3,928,091
Grants and contracts receivable	(19,529)	17,879
Contributions receivable	242,875	(152,117)
Income taxes receivable	650,757	194,509
Publications inventory	144,255	60,459
Prepaid expenses	327,862	236,329
Lease/Purchase cost	(689,148)	-
Deposits	(15,375)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	566,515	(53,281)
Deferred revenue	3,153,510	(611,227)
Deferred rent abatement	(318,222)	(250,984)
Accrued pension liability	(387,610)	2,286,203
Deferred compensation plan	(235,013)	33,680
Net cash provided by operating activities	<u>8,434,247</u>	<u>11,807,709</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(636,748)	(915,597)
Purchase of investments	(11,058,660)	(28,501,374)
Sale of investments	10,333,113	13,498,656
Net cash used by investing activities	<u>(1,362,295)</u>	<u>(15,918,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment to beneficiary under trust agreement	(8,385)	(8,448)
Permanently restricted contributions	7,825	39,430
Net cash (used) provided by financing activities	<u>(560)</u>	<u>30,982</u>

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Net increase (decrease) in cash and cash equivalents	\$ 7,071,392	\$ (4,079,624)
Cash and cash equivalents at beginning of year	<u>15,960,596</u>	<u>20,040,220</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>23,031,988</u></b>	<b>\$ <u>15,960,596</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Income Taxes Received	<u>\$ 650,757</u>	<u>\$ -</u>
Taxes Paid	<u>\$ 152,953</u>	<u>\$ 19,800</u>

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

##### **American Psychiatric Association -**

The American Psychiatric Association (APA) was incorporated in 2000 as a 501(c)(6) trade association. Its 36,000 U.S. and international physician members specialize in the diagnosis and treatment of mental and emotional disorders and substance abuse disorders. APA's goals and activities include advocating for patients; advocating for the profession; supporting education, training and career development; and defining and supporting professional values. These activities are funded primarily through membership dues, annual meeting fees, and publications sales and advertising.

##### **American Psychiatric Association Foundation -**

The American Psychiatric Association Foundation (APAF) was incorporated in December 1981 under the District of Columbia Non-Profit Corporation Act. The mission of APAF is to engage in public education, research and fundraising activities of APA affiliated organizations through private and governmental contracts and grants.

The Board of Director's of APAF consists of sixteen voting members. Twelve of the members are appointed by the Board of Trustees of APA. The sole corporate member of APAF is APA.

##### **American Psychiatric Insurance Trust -**

The American Psychiatric Insurance Trust (APIT) is a grantor trust established by APA in 1984, under the laws of the state of Delaware.

##### **American Psychiatric Association Political Action Committee -**

The American Psychiatric Association Political Action Committee (APAPAC), an unincorporated separate fund of APA, was established in 2001 and is registered under the Federal Election Campaign Act of 1971 (as amended). APAPAC is controlled by a Board of Trustees appointed by APA.

APAPAC seeks to promote good citizenship through personal and financial participation in the elective process by providing interested eligible persons an opportunity to contribute to the support of worthy candidates for federal office who believe and have demonstrated their beliefs in the principles to which APA is dedicated, including the advancement of psychiatry and excellence in the care and delivery of psychiatric services.

Basis of presentation -

The accompanying consolidated financial statements reflect the activities of the above-mentioned organizations for the years ended December 31, 2015 and 2014.

The financial statements of APA and its affiliates (collectively, the Association) have been consolidated because they are under common control. All intercompany transactions have been eliminated in consolidation.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Basis of presentation (continued) -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

The Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. All other highly liquid instruments, which are to be used for long-term purposes of the Association, are classified as investments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Association maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limits. As of December 31, 2015 and 2014, the amount of uninsured cash was approximately \$22,000,000 and \$15,000,000, respectively.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Consolidated Statements of Activities and Changes in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Accounts receivable consists of amounts due to the Association from the sale of its books and other publications, and advertising. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance, subsequent collections, historical experience with the customer and an assessment of the general financial conditions affecting the customer base. As of December 31, 2015 and 2014, the Association has established an allowance of \$425,002 and \$454,096, respectively.

Grants and contracts receivable -

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance, subsequent collections and historical experience with the grantor. As of December 31, 2015 and 2014, the Association deemed all amounts to be collectible.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, neither an allowance for doubtful accounts nor a discount has been established.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Publications inventory -

Publications inventory consists of books and other written materials and is stated at the lower of cost or net realizable value using the weighted average cost method. The Association establishes a reserve for obsolete publications inventory based upon historical sales trends to reflect estimated net realizable value. For the years ended December 31, 2015 and 2014, the Association established a reserve of \$453,690 and \$419,002, respectively.

Prepaid expenses -

Prepaid expenses include advance payments for the annual meeting, postage and royalties on unpublished manuscripts. The annual meeting expenses to expense when the related event occurs, postage is charged when utilized and the royalties are over three years beginning when the manuscripts are published or immediately expensed if determined to be abandoned.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Furniture, equipment and software are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are depreciated over the lesser of the remaining life of the lease or estimated useful life of the improvements. The cost of maintenance and repairs is recorded as expenses are incurred.

Certain costs of internally developed software and website development are capitalized. These costs are being amortized over the estimated useful lives of the software and website which is estimated to be three to five years.

Rare book collections -

The Association does not capitalize its collections, which consist principally of rare books and early writings associated with the care and treatment of the mentally ill, as their relative financial significance is generally not objectively determinable.

The Association maintains these historical writings using techniques to preserve their integrity for future generations. There were no sales or disposals for the years ended December 31, 2015 and 2014.

DSM 5 development costs -

All costs, including materials and direct labor, associated with the production of the fifth edition of the publication *Diagnostic and Statistical Manual of Mental Disorders* (DSM 5) are capitalized as incurred. DSM 5 was released in May 2013 and accordingly, the Association began amortizing these development costs. Management estimates the life of DSM 5 will be fifteen (15) years, however, sales will drastically decline after the first and second year, and level-off over the remaining estimated life of DSM 5. Accordingly, management has amortized \$10,000,000 of the costs up-front (approximately 50% of total amounts capitalized) to match the high percentage of revenue and sales recognized in the first year of DSM 5's useful life.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

DSM 5 development costs (continued) -

The remaining costs will be amortized over the remaining estimated useful life based on the estimate of future sales. As of December 31, 2015, DSM 5 Development costs and related accumulated amortization totaled \$21,842,973 and \$13,394,679, respectively. At December 31, 2014, the development costs and related accumulated amortization totaled \$21,842,973 and \$12,637,145, respectively.

Lease/Purchase costs -

During 2015, APA entered into an agreement for office space under a ten-year and six month lease, beginning on the Commencement Date, which is anticipated to be January 1, 2018. Certain expenses incurred in connection with the acquisition of the lease including attorney fees, architect fees, and payments to realty financing companies have been capitalized and will be amortized over the lease period. As of December 31, 2015, a total of \$689,148 of costs have been capitalized and are presented as Lease/Purchase development costs in the accompanying Consolidated Statements of Financial Position. See Note 8 for further details of the lease.

Intangible assets -

Intangible assets consist of the following items that resulted from the 2010 sale of APF publishing business to APA:

- DSM 5 Publication rights. To be evaluated annually for impairment.
- Non-DSM Publication rights including various copyrights, trademarks and goodwill. To be evaluated annually for impairment.

The Association periodically reviews the carrying value of its publications and trademarks to determine whether an impairment exists. There was no impairment during the year ended December 31, 2015. During the year ended December 31, 2014, it was determined that the intangible assets were impaired and, accordingly, the assets were adjusted to the impaired estimated value, to better reflect fair value. The impairment charge totaled \$1,300,000 in the year ended December 31, 2014. Intangible assets were eliminated in consolidation.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statements of Activities and Changes in Net Assets, to its current fair value.

Deferred revenue -

Deferred membership dues and subscription payments received in advance are recognized over the membership and subscription period. Meeting registration fees received in advance are recognized when the meeting is held. Other deferred revenue is recognized when earned.

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Association and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Association. There are restrictions placed on the use of investment earnings from these endowment funds.

##### Contributions, grants and contracts -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements. Conditional promises to give are not included as support until the conditions are met.

The Association receives funding under grants and contracts from the U.S. Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant and contract funding received in advance of incurring the related expenses is included in other deferred revenue in the Consolidated Statements of Financial Position.

##### Publications revenue -

Publications revenue is recorded when the related publication is shipped and is reported in the accompanying Consolidated Statements of Activities and Changes in Net Assets, net of any returns and discounts. Cost of goods sold of approximately \$256,934 and \$387,523, is included in publications expense for the years ended December 31, 2015 and 2014, respectively.

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Income taxes -

APA is exempt from the payment of Federal and state taxes on income, other than net unrelated business income, under Section 501(c)(6) of the Internal Revenue Code. APA receives unrelated business income from advertising and psychiatry placement services.

During the years ended December 31, 2015 and 2014, APA generated \$5,839,756 and \$6,321,073, respectively, in gross taxable unrelated business income. APA has recorded a Federal and state tax payable at December 31, 2015 in the amount of \$160,580. APA recorded an income tax receivable in the amount of \$650,757 at December 31, 2014. The tax expense associated with the unrelated business income totaled \$311,782 and \$263,261 for the years ended December 31, 2015 and 2014, respectively.

APAF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements as this organization had no taxable unrelated business income. APF is not a private foundation.

APIT is exempt from the payment of Federal and state income taxes as it is a grantor trust and all income and expenses pass through to APA.

APAPAC is exempt from Federal income taxes under Section 527 of the Internal Revenue Code. This section does not exempt taxation of investment income. No income taxes were payable at December 31, 2015 and 2014.

##### Uncertain tax positions -

For the years ended December 31, 2015 and 2014, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

##### Use of estimates -

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Risks and uncertainties -

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.



**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Risks and uncertainties (continued) -

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Presentation -

Certain amounts in the prior year's financial statements have been re-presented to conform to the current year's presentation. These changes in presentation had no effect on the previously reported changes in net assets.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	
Money market funds	\$ 3,021,109	\$ 3,193,228
Alternative investments	27,505,839	22,617,147
Mutual funds:		
Baird Aggregate Bond Fund	10,685,145	13,121,898
Brandes International Small Cap Equity Fund	6,689,258	5,257,329
Delaware Pooled High-Yield Bond Fund	1,844,627	2,469,001
Dodge and Cox International Stock Fund	7,472,752	8,709,066
Eaton Vance Floating Rate Fund	-	3,660,242
Nuveen Symphony Floating Rate Income	2,420,139	-
Fidelity Spartan Total Market Index Fund	13,220,435	14,144,302
Transamerica Emerging Markets Debt Fund	2,447,727	3,113,739
Vanguard Total Bond Market Index Fund	9,403,618	7,876,767
Vanguard Total International Stock Index Fund	7,555,315	7,226,838
Vanguard Total Stock Market Index Fund	<u>32,330,866</u>	<u>34,523,333</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$124,596,830</u></b>	<b><u>\$125,912,890</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**2. INVESTMENTS (Continued)**

Included in investments as of December 31, 2015 and 2014 is \$665,780 and \$657,955, respectively, representing the Association's permanently restricted endowment funds (see Note 6).

Also included in investments as of December 31, 2015 and 2014 is \$1,765,659 and \$2,000,672, respectively, of assets held for the deferred compensation plan (see Note 7).

Alternative investments, and the respective terms of the agreements, are comprised of the following at December 31, 2015 and 2014:

<u>Investment Type</u>	<u>2015</u>	<u>2014</u>	<u>Liquidity</u>
Pinehurst Institutional Ltd. with Citigroup	\$10,919,496	\$10,870,648	Hedge fund of a fund. Quarterly liquidity with 90 days notice; no initial lockup period.
Common Sense Long-Biased Offshore Ltd.	-	86,789	Hedge fund of a fund. Quarterly liquidity with 100 days notice; one (1) year lockup period. Lockup amount of \$1,000,000 expired in May 2012.
Morgan Stanley Prime Property Fund	13,360,566	11,659,710	Real estate fund. Quarterly liquidity; No initial lockup period.
Trumbull Property Growth and Income Fund	<u>3,225,777</u>	<u>-</u>	Real estate fund. Quarterly liquidity with 60 days notice. No initial lockup period.
<b>ALTERNATIVE INVESTMENTS</b>	<b><u>\$27,505,839</u></b>	<b><u>\$22,617,147</u></b>	

Included in investment income are the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 3,220,033	\$ 3,147,389
Unrealized loss	(2,473,176)	(818,004)
Realized gain	<u>423,229</u>	<u>5,961,698</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 1,170,086</u></b>	<b><u>\$ 8,291,083</u></b>

Interest income includes interest earned on operating cash and cash equivalents.

Investment administrative fees of approximately \$236,136 and \$166,621 for the years ended December 31, 2015 and 2014, respectively, are included in General and Administrative expenses on the accompanying Consolidated Statements of Activities and Changes in Net Assets.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**3. ASSETS AND LIABILITIES HELD UNDER TRUST AGREEMENTS**

APAF is the Trustee of a Charitable Remainder Unitrust. The beneficiary of the trust is to receive payments equal to 7% of the fair value of the trust assets annually. Upon the death of the beneficiary, the trust assets, including accumulated investment earnings, pass to APAF for its unrestricted use.

In accordance with accounting principles generally accepted in the United States of America, the assets held in trust under the agreement and the estimated liability have been recorded at fair value in the Consolidated Statements of Financial Position.

On an annual basis, the Association revalues the estimated liability based on applicable mortality tables and discount rates. The difference between the change in the fair value of the assets received and the liability to the beneficiary is recognized as temporarily restricted revenue. As of December 31, 2015 and 2014, the assets held for the trust agreements were \$122,858 and \$131,198, respectively.

The estimated liability at December 31, 2015 and 2014 was calculated using the following assumptions:

	<u>2015</u>	<u>2014</u>
Long-term rate of return on assets	8.00%	8.00%
Discount rate on future payments to beneficiary	2.67%	2.47%
Estimated period of distributions to beneficiary	6 years	7 years
Liability under unitrust agreement	\$ 45,600	\$ 59,474
Less: Discount to present value	<u>(2,410)</u>	<u>(5,489)</u>
Net liability under unitrust agreement	43,190	53,985
Less: Current portion	<u>(7,802)</u>	<u>(8,385)</u>
<b>LIABILITY UNDER UNITRUST AGREEMENT, NET OF CURRENT PORTION</b>	<b><u>\$ 35,388</u></b>	<b><u>\$ 45,600</u></b>

Additionally, during 2013, APAF received assets of a pooled income trust fund. Upon the death of the beneficiary of the trust, the assets, including accumulated investment earnings, pass to APAF for its unrestricted use. In accordance with accounting principles generally accepted in the United States of America, the assets held in trust under the agreement and the estimated liability have been recorded at fair value in the Consolidated Statements of Financial Position.

As of December 31, 2015 and 2014, the assets held by APAF and liability for the trust were \$11,418 and \$11,422, respectively.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**4. BOARD DESIGNATED NET ASSETS**

As of December 31, 2015 and 2014, net assets have been designated by the Board of Trustees for the following purposes:

	<u>2015</u>	<u>2014</u>
<b>American Psychiatric Association (APA):</b>		
Reserve Replenishment Fund	\$ 50,852,000	\$ 52,970,738
Lump Sum Dues	97,000	111,000
Special Projects	<u>2,266,000</u>	<u>380,000</u>
Total APA Board Designated Net Assets	<u>53,215,000</u>	<u>53,461,738</u>
<b>American Psychiatric Foundation (APAF):</b>		
K Street Proceeds	14,939,903	17,126,122
APF Legacy Fund	12,859,558	15,437,483
APF Reserve Replenishment Fund	8,058,661	11,430,269
Special Projects	<u>1,052,530</u>	<u>217,141</u>
Total APF Board Designated Net Assets	<u>36,910,652</u>	<u>44,211,015</u>
Total APAF Board Designated net assets	90,125,652	97,672,753
Undesignated net assets	<u>40,926,994</u>	<u>34,004,501</u>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b><u>\$131,052,646</u></b>	<b><u>\$ 131,677,254</u></b>

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Restricted research and awards	\$ 1,974,514	\$ 2,015,345
Grants and contracts	<u>4,426,537</u>	<u>3,270,290</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 6,401,051</u></b>	<b><u>\$ 5,285,635</u></b>

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2015 and 2014, by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	<u>2015</u>	<u>2014</u>
Restricted research and awards	\$ 263,997	\$ 671,126
Grants and contracts	<u>1,148,309</u>	<u>1,451,521</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,412,306</u></b>	<b><u>\$ 2,122,647</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**6. ENDOWMENT**

The Association's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset were restricted for the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Gralnick Award	\$ 100,000	\$ 100,000
Ozarin Fund	50,000	50,000
APIRE Endowment	41,880	41,880
Schizophrenia Research Award	311,603	311,603
Fryer Award	47,507	44,682
Mrazek Memorial Fund	<u>114,790</u>	<u>109,790</u>
<b>TOTAL FUNDS</b>	<b><u>\$ 665,780</u></b>	<b><u>\$ 657,955</u></b>

The principal for all funds are required to be invested in-perpetuity. The income may be expended as follows:

- *Gralnick Award* - to support awards to individuals doing research in the area of Schizophrenia.
- *Ozarin Award* - to support the Benjamin Rush Award lecture at the APA Annual Meeting as well as other relevant projects concerning the APA library and archives.
- *APIRE Endowment* - to support awards to individuals doing research in the area of psychiatry.
- *Schizophrenia Research Awards* - to support awards to individuals doing research in the area of schizophrenia.
- *Fryer Award* - to support the Fryer Award at the APA Annual Meeting which honors an individual whose work has contributed to the improvement of the mental health of sexual minorities.
- *Mrazek Memorial Fund* - to support a lectureship of psychiatric pharmacogenomics.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**6. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ENDOWMENT NET ASSETS, January 1, 2014</b>	\$ <u>-</u>	\$ <u>221,020</u>	\$ <u>618,525</u>	\$ <u>839,545</u>
Investment return:				
Investment income	-	22,704	-	22,704
Net appreciation (realized and unrealized)	<u>-</u>	<u>37,973</u>	<u>-</u>	<u>37,973</u>
Total investment return	<u>-</u>	<u>60,677</u>	<u>-</u>	<u>60,677</u>
Contributions	-	-	39,430	39,430
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(38,232)</u>	<u>-</u>	<u>(38,232)</u>
<b>ENDOWMENT NET ASSETS, DECEMBER 31, 2014</b>	\$ <u>-</u>	\$ <u>243,465</u>	\$ <u>657,955</u>	\$ <u>901,420</u>

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ENDOWMENT NET ASSETS, JANUARY 1, 2015</b>	\$ <u>-</u>	\$ <u>243,465</u>	\$ <u>657,955</u>	\$ <u>901,420</u>
Investment return:				
Investment income	-	26,042	-	26,042
Net depreciation (realized and unrealized)	<u>-</u>	<u>(16,634)</u>	<u>-</u>	<u>(16,634)</u>
Total investment return	<u>-</u>	<u>9,408</u>	<u>-</u>	<u>9,408</u>
Contributions	-	-	7,825	7,825
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(37,282)</u>	<u>-</u>	<u>(37,282)</u>
<b>ENDOWMENT NET ASSETS, DECEMBER 31, 2015</b>	\$ <u>-</u>	\$ <u>215,591</u>	\$ <u>665,780</u>	\$ <u>881,371</u>

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 6. ENDOWMENT (Continued)

##### Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as funds of perpetual duration. These deficiencies result from unfavorable market fluctuations which occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that were deemed prudent by the Board of Trustees. There were no fund deficiencies as of December 31, 2015 and 2014.

##### Return Objectives and Risk Parameters -

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in-perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately 8.6% annually. Actual returns in any given year may vary from this amount.

##### Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Association allocates the investment income generated by the endowment each year based on the purpose of the endowment as described in the donor's request. If the donor does not specify a purpose for the income generated from their permanently restricted endowment, the income is used for general support.

#### 7. PENSION PLANS

##### *Defined Contribution Plans -*

The Association sponsors a 401(k) employee savings plan (the Plan). Participants of the Plan are allowed to contribute a portion of their annual compensation. The Plan requires the Association to make a matching contribution equal to 100% of a participant's contribution to a maximum of 4% of the participant's compensation. Additionally, the Association contributes 3% of the salary of eligible employees. For the years ended December 31, 2015 and 2014, the Association made contributions to the Plan on behalf of its employees of \$966,651 and \$982,672.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**7. PENSION PLANS (Continued)**

*Deferred Compensation Plan -*

The Board of Trustees authorized a deferred compensation plan for a select group of management. There were no contributions made during the years ended December 31, 2015 and 2014. Payouts for the years ended December 31, 2015 and 2014 were \$0 and \$194,210, respectively. The corresponding asset is included in Investments and separately shown as a liability in the accompanying consolidated financial statements.

*Defined Benefit Plan -*

The Association's defined benefit pension plan (the Plan) no longer accepts new participants as of September 1, 2000. On December 31, 2013, the Plan was further amended to freeze all future benefit accruals for highly compensated participants effective January 1, 2013 and for all other participants effective January 1, 2014.

The Plan provides benefits based on the employees' final monthly average compensation for the last five years of employment and total years of service.

The following is a summary of the funded status of the Plan as of December 31, 2015 and 2014; the key assumptions used by the Plan's actuary; and the cost to the Association of providing retirement benefits:

**Change in Projected Benefit Obligation**

	<u>2015</u>	<u>2014</u>
Projected benefit obligation, beginning of year	\$ (15,078,582)	\$ (11,897,415)
Service cost	-	(110,532)
Interest cost	(595,080)	(584,833)
Actuarial gain (loss)	539,350	(2,898,075)
Actual distributions	<u>489,450</u>	<u>412,273</u>
<b>PROJECTED BENEFIT OBLIGATION, END OF YEAR</b>	<b><u>\$ (14,644,862)</u></b>	<b><u>\$ (15,078,582)</u></b>

Accrued pension cost recognized in the Consolidated Statements of Financial Position as the accrued pension liability amounted to approximately \$4,285,061 and \$4,672,671 as of December 31, 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Projected benefit obligation	\$ (14,644,862)	\$ (15,078,582)
Fair value of plan assets	<u>10,359,801</u>	<u>10,405,911</u>
<b>FUNDED STATUS - UNDER FUNDED</b>	<b><u>\$ (4,285,061)</u></b>	<b><u>\$ (4,672,671)</u></b>



**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**7. PENSION PLANS (Continued)**

Items not yet recognized as a component of net periodic pension cost:

	<u>2015</u>	<u>2014</u>
<b>Actuarial Loss</b>	<b>\$ <u>(4,142,643)</u></b>	<b>\$ <u>(4,184,053)</u></b>

Components of net periodic pension cost recognized as expenses in the accompanying Consolidated Statements of Activities and Changes in Net Assets:

	<u>2015</u>	<u>2014</u>
Service cost	\$ -	\$ 110,532
Interest cost	595,080	584,833
Actual return on assets	29,958	(676,309)
Net amortization payments	260,335	18,685
Deferred (loss) gain on assets	<u>(758,275)</u>	<u>29,480</u>
<b>NET PERIODIC BENEFIT COST</b>	<b>\$ <u>127,098</u></b>	<b>\$ <u>67,221</u></b>

Amounts of net gain and net prior service cost recognized in the accompanying Consolidated Statements of Activities and Changes in Net Assets apart from expenses:

	<u>2015</u>	<u>2014</u>
<b>Gain (Loss) Arising During the Period</b>	<b>\$ <u>41,410</u></b>	<b>\$ <u>(2,849,910)</u></b>

Estimated amounts to be recognized during the following year:

	<u>2016</u>	<u>2015</u>
<b>Actuarial Loss</b>	<b>\$ <u>(253,422)</u></b>	<b>\$ <u>(241,346)</u></b>

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost are as follows:

	<u>2015</u>	<u>2014</u>
Benefit Obligation:		
Discount rate	4.25 %	4.00 %
Expected return on plan assets	7.00 %	7.00 %
Rate of compensation increase	2.50 %	3.50 %
Net Periodic Benefit Cost:		
Discount rate	4.00 %	4.00 %
Expected return on plan assets	7.00 %	7.00 %
Rate of compensation increase	2.50 %	3.50 %

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**7. PENSION PLANS (Continued)**

The expected long-term rate of return on assets was developed based on historical returns. In general, it was based on returns for the Plan and the Plan's target asset allocation.

The components of the Plan assets are as follows at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash, cash equivalents and accrued interest	\$ 475,828	\$ 276,415
Fixed income mutual funds	3,828,838	3,860,938
Equity mutual funds	<u>6,055,135</u>	<u>6,268,558</u>
<b>TOTAL</b>	<b><u>\$ 10,359,801</u></b>	<b><u>\$ 10,405,911</u></b>

All Plan investments are valued at quoted prices in an active market for identical assets (Level 1).

The Plan's weighted asset allocations, by asset category, are as follows at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash, cash equivalents and accrued interest	5 %	3 %
Equity mutual funds	58 %	60 %
Fixed income mutual funds	<u>37 %</u>	<u>37 %</u>
<b>TOTAL</b>	<b><u>100 %</u></b>	<b><u>100 %</u></b>

The Association utilizes a target allocation of approximately 40% fixed income and 60% equities. Barring any unforeseen market changes, the target allocation will not change significantly in the future.

**Contributions**

The Association made contributions to the pension plan of approximately \$473,000 and \$631,000 during the years ended December 31, 2015 and 2014, respectively.

The Association expects to make a contribution of approximately \$602,400 to the pension plan in fiscal year 2016.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

**Year Ending December 31,**

2016	\$ 602,381
2017	607,917
2018	653,705
2019	667,339
2020	710,361
2020 to 2024	<u>4,171,319</u>
	<b><u>\$ 7,413,022</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**8. LEASE COMMITMENTS**

The Association leases office space under a fifteen-year agreement, which expires on December 31, 2017, referred to as the Arlington Lease. Base rent is approximately \$1,740,000 per year, increasing by a factor of 2.75% per year, plus a proportionate share of real estate taxes and operating expenses.

During 2015, the Association entered into a lease for office space under a ten-year and six month lease known as the Wharf Lease which is expected to commence on January 1, 2018. The lease calls for a six month rent abatement and APA paid an initial deposit of \$201,654 at inception of the lease. Annual rent will start at \$38.40 per rentable square foot as well as the pro rata share of taxes and building expenses. Base rent is \$2,419,853 per year, increasing by a factor of 2.5%, plus a proportionate share of real estate taxes and operating expenses. Between the date of this lease and twenty four months following the Commencement Date, APA has a one-time right to expand the Premises to include an additional floor of the building. The lease also provides a Purchase Option to buy the space after two years for \$46,002,410.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Consolidated Statements of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	<u>Arlington Lease</u>	<u>Wharf Lease</u>	<u>Total</u>
2016	\$ 2,581,301	\$ -	\$ 2,581,301
2017	2,652,295	-	2,652,295
2018	-	2,419,853	2,419,853
2019	-	2,480,349	2,480,349
2020	-	2,542,106	2,542,106
Thereafter	<u>-</u>	<u>23,143,621</u>	<u>23,143,621</u>
	<u>\$ 5,233,596</u>	<u>\$ 30,585,929</u>	<u>\$ 35,819,525</u>

Rent expense, including taxes and operating expenses, for the years ended December 31, 2015 and 2014, totaled approximately \$2,817,611 and \$3,015,817. The deferred rent liability totaled \$855,922 and \$1,174,144.

**9. CONTINGENCY**

APAF receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

#### 9. CONTINGENCY (Continued)

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

During 2015, APA received a federal grant; however, the amount expended during fiscal year 2015 did not meet the threshold for requiring an audit in accordance with provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### 10. COMMITMENTS

The Association is committed under agreements for conference space through the year 2027. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event. The Association carries insurance against the potential exposure that could result from a meeting cancellation.

#### 11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are financial instruments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**11. FAIR VALUE MEASUREMENT (Continued)**

Following is a description of the valuation methodology used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Assets held under trust agreements* - Fair value is derived from quotes from a dealer or broker, where available for the underlying assets held in the charitable remainder unitrust.
- *Alternative investments* - these instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.
- *Charitable remainder trust liability* - The Association revalues the liability, annually, based on applicable mortality tables and discount rates.

The table below summarizes, by level within the fair value hierarchy, the Association's investments and other financial instruments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<b>Total December 31, 2015</b>
<b>Asset Class:</b>				
Money market funds	\$ 3,021,109	\$ -	\$ -	\$ 3,021,109
Alternative investments	-	-	27,505,839	27,505,839
Mutual funds:				
Baird Aggregate Bond Fund	10,685,145	-	-	10,685,145
Brandes International Small Cap Equity	6,689,258	-	-	6,689,258
Delaware Pooled High-Yield Bond Fund	1,844,627	-	-	1,844,627
Dodge and Cox International Stock Fund	7,472,752	-	-	7,472,752
Nuveen Symphony Floating Rate Income	2,420,139	-	-	2,420,139
Fidelity Spartan Total Market Index Fund	13,220,435	-	-	13,220,435
Transamerica Emerging Markets Debt Fund	2,447,727	-	-	2,447,727
Vanguard Total Bond Market Index Fund	9,403,618	-	-	9,403,618
Vanguard Total International Stock Index Fund	7,555,315	-	-	7,555,315
Vanguard Total Stock Market Index Fund	<u>32,330,866</u>	<u>-</u>	<u>-</u>	<u>32,330,866</u>
Total investments	97,090,991	-	27,505,839	124,596,830
Assets held under trust agreements	<u>-</u>	<u>122,858</u>	<u>-</u>	<u>122,858</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 97,090,991</u></b>	<b><u>\$ 122,858</u></b>	<b><u>\$ 27,505,839</u></b>	<b><u>\$ 124,719,688</u></b>
<b>Liability Category:</b>				
Liabilities under trust agreements	\$ -	\$ -	\$ 54,608	\$ 54,608
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 54,608</u></b>	<b><u>\$ 54,608</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**11. FAIR VALUE MEASUREMENT (Continued)**

The table below summarizes, by level within the fair value hierarchy, the Association's investments and other financial instruments as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2014</u>
<b>Asset Class:</b>				
Money market funds	\$ 3,193,228	\$ -	\$ -	\$ 3,193,228
Alternative investments	-	-	22,617,147	22,617,147
Mutual funds:				
Baird Aggregate Bond Fund	13,121,898	-	-	13,121,898
Brandes International Small Cap Equity	5,257,329	-	-	5,257,329
Delaware Pooled High-Yield Bond Fund	2,469,001	-	-	2,469,001
Dodge and Cox International Stock Fund	8,709,066	-	-	8,709,066
Eaton Vance Floating Rate Fund	3,660,242	-	-	3,660,242
Fidelity Spartan Total Market Index Fund	14,144,302	-	-	14,144,302
Transamerica Emerging Markets Debt Fund	3,113,739	-	-	3,113,739
Vanguard Total Bond Market Index Fund	7,876,767	-	-	7,876,767
Vanguard Total International Stock Index Fund	7,226,838	-	-	7,226,838
Vanguard Total Stock Market Index Fund	<u>34,523,333</u>	<u>-</u>	<u>-</u>	<u>34,523,333</u>
Total investments	103,295,743	-	22,617,147	125,912,890
Assets held under trust agreements	<u>-</u>	<u>131,198</u>	<u>-</u>	<u>131,198</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 103,295,743</u></b>	<b><u>\$ 131,198</u></b>	<b><u>\$ 22,617,147</u></b>	<b><u>\$ 126,044,088</u></b>
<b>Liability Category:</b>				
Charitable remainder unitrust liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,407</u>	<u>\$ 65,407</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 65,407</u></b>	<b><u>\$ 65,407</u></b>

**Level 3 Financial Assets**

The following table provides a summary of changes in fair value of the Association's financial assets for the years ended December 31, 2014 and 2015:

	<u>Pinehurst Institutional Ltd</u>	<u>Common Sense Long- Biased Offshore Ltd</u>	<u>Morgan Stanley Prime Property Fund</u>	<u>Trumbull Property Growth and Income Fund</u>	<u>Total Level 3 Investments</u>
Beginning balance as of January 1, 2014	\$ 5,889,499	\$ 3,106,259	\$ 8,763,696	\$ -	\$ 17,759,454
Purchases	4,400,000	-	1,836,692	-	6,236,692
Sales	-	(2,999,041)	-	-	(2,999,041)
Realized gains	-	451,254	-	-	451,254
Unrealized gains (losses)	<u>581,149</u>	<u>(471,683)</u>	<u>1,059,322</u>	<u>-</u>	<u>1,168,788</u>
<b>BALANCE AS OF DECEMBER 31, 2014</b>	<b>10,870,648</b>	<b>86,789</b>	<b>11,659,710</b>	<b>-</b>	<b>22,617,147</b>
Purchases	-	-	533,569	3,076,174	3,609,743
Sales	-	(87,199)	(146,100)	(46,949)	(280,248)
Realized gains	-	410	-	-	410
Unrealized gains	<u>48,848</u>	<u>-</u>	<u>1,313,387</u>	<u>196,552</u>	<u>1,558,787</u>
<b>BALANCE AS OF DECEMBER 31, 2015</b>	<b><u>\$ 10,919,496</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,360,566</u></b>	<b><u>\$ 3,225,777</u></b>	<b><u>\$ 27,505,839</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**11. FAIR VALUE MEASUREMENT (Continued)**

The amounts of total gains for the years ended December 31, 2015 and 2014 included in net unrestricted net assets attributable to the change in unrealized gains for Level 3 financial assets still held at the reporting date were approximately \$1,559,000 and \$1,169,000, respectively.

As of December 31, 2015, the Association's allocable shares of investments which exceed 5% of net assets are:

<u>Name of Investment</u>	<u>Type of Investment</u>	<u>Fair Value</u>	<u>Fair Value as a % of Net Assets</u>
Vanguard Total Stock Market Index Fund	Mutual Fund	\$ 32,330,866	23%
Baird Aggregate Bond Fund	Mutual Fund	\$ 10,685,145	8%
Fidelity Spartan Total Market Index Fund	Mutual Fund	\$ 13,220,435	10%
Morgan Stanley Prime Property Fund	Alternative - Hedge Fund	\$ 13,360,566	10%
Pinehurst Institutional Ltd	Alternative - Hedge Fund	\$ 10,919,496	8%
Dodge and Cox International Stock Fund	Mutual Fund	\$ 7,472,752	5%
Vanguard Total Bond Market Index Fund	Mutual Fund	\$ 9,403,618	7%
Vanguard International Stock Index Fund	Mutual Fund	\$ 7,555,315	5%

As of December 31, 2014, the Association's allocable shares of investments which exceed 5% of net assets are:

<u>Name of Investment</u>	<u>Type of Investment</u>	<u>Fair Value</u>	<u>Fair Value as a % of Net Assets</u>
Vanguard Total Stock Market Index Fund	Mutual Fund	\$ 34,523,333	25%
Baird Aggregate Bond Fund	Mutual Fund	\$ 13,121,898	10%
Fidelity Spartan Total Market Index Fund	Mutual Fund	\$ 14,144,302	10%
Morgan Stanley Prime Property Fund	Alternative - Hedge Fund	\$ 11,659,710	8%
Pinehurst Institutional Ltd	Alternative - Hedge Fund	\$ 10,870,648	8%
Dodge and Cox International Stock Fund	Mutual Fund	\$ 8,709,066	6%
Vanguard Total Bond Market Index Fund	Mutual Fund	\$ 7,876,767	6%
Vanguard International Stock Index Fund	Mutual Fund	\$ 7,226,838	5%

**12. CONTINGENCIES**

The Association may, from time-to-time, be subject to litigation relating to matters in the ordinary course of business. Contingencies are recorded when losses are probable, and the cost is measurable.

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**13. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 8, 2016, the date the consolidated financial statements were issued.



## **SUPPLEMENTAL INFORMATION**

**AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2015**

	<b>ASSETS</b>					
	<u>APA</u>	<u>APAF</u>	<u>PAC</u>	<u>APIT</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 14,066,577	\$ 8,874,413	\$ 90,998	\$ -	\$ -	\$ 23,031,988
Receivables:						
Accounts receivable, net	4,920,460	327	-	-	-	4,920,787
Grants and contracts receivable, net	-	123,817	-	-	-	123,817
Contributions receivable	-	84,433	-	-	-	84,433
Due from affiliates	357,915	-	-	-	(357,915)	-
Publications inventory, net	1,482,405	-	-	-	-	1,482,405
Prepaid expenses	<u>367,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,744</u>
Total current assets	<u>21,195,101</u>	<u>9,082,990</u>	<u>90,998</u>	<u>-</u>	<u>(357,915)</u>	<u>30,011,174</u>
<b>FIXED ASSETS</b>						
Furniture and equipment	1,681,800	-	-	-	-	1,681,800
Software	5,173,014	166,126	-	-	-	5,339,140
Leasehold improvements	<u>1,127,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,127,391</u>
	7,982,205	166,126	-	-	-	8,148,331
Less: Accumulated depreciation and amortization	<u>(6,194,534)</u>	<u>(156,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,350,870)</u>
Net fixed assets	<u>1,787,671</u>	<u>9,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,797,461</u>
<b>OTHER ASSETS</b>						
Investments	73,215,469	50,862,398	-	518,963	-	124,596,830
DSM 5 development costs, net	8,448,294	-	-	-	-	8,448,294
Lease/Purchase costs	689,148	-	-	-	-	689,148
Assets held under trust agreements	-	122,858	-	-	-	122,858
Deposits	151,968	15,375	-	-	-	167,343
Intangible assets	<u>2,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,600,000)</u>	<u>-</u>
Total other assets	<u>85,104,879</u>	<u>51,000,631</u>	<u>-</u>	<u>518,963</u>	<u>(2,600,000)</u>	<u>134,024,473</u>
<b>TOTAL ASSETS</b>	<b><u>\$108,087,651</u></b>	<b><u>\$60,093,411</u></b>	<b><u>\$ 90,998</u></b>	<b><u>\$518,963</u></b>	<b><u>\$ (2,957,915)</u></b>	<b><u>\$165,833,108</u></b>

## LIABILITIES AND NET ASSETS

	<u>APA</u>	<u>APAF</u>	<u>PAC</u>	<u>APIT</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 5,187,549	\$ 289,902	\$ -	\$ -	\$ -	\$ 5,477,451
Due to affiliates	-	336,193	21,722	-	(357,915)	-
Deferred revenue:						
Membership	4,825,010	-	-	-	-	4,825,010
Subscriptions	5,927,068	-	-	-	-	5,927,068
Meetings	1,418,570	-	-	-	-	1,418,570
Other deferred revenue, current portion	1,057,715	129,900	-	-	-	1,187,615
Deferred rent abatement, current portion	387,302	-	-	-	-	387,302
Liabilities under trust agreements, current portion	-	7,802	-	-	-	7,802
Total current liabilities	<u>18,803,214</u>	<u>763,797</u>	<u>21,722</u>	<u>-</u>	<u>(357,915)</u>	<u>19,230,818</u>
<b>LONG-TERM LIABILITIES</b>						
Other deferred revenue, net of current portion	1,916,667	-	-	-	-	1,916,667
Accrued pension liability	4,285,061	-	-	-	-	4,285,061
Deferred rent abatement, net of current portion	468,620	-	-	-	-	468,620
Deferred compensation plan	1,765,659	-	-	-	-	1,765,659
Liabilities under trust agreements, net of current portion	-	46,806	-	-	-	46,806
Total long-term liabilities	<u>8,436,007</u>	<u>46,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,482,813</u>
Total liabilities	<u>27,239,221</u>	<u>810,603</u>	<u>21,722</u>	<u>-</u>	<u>(357,915)</u>	<u>27,713,631</u>
<b>NET ASSETS</b>						
Unrestricted	80,197,413	52,866,994	69,276	518,963	(2,600,000)	131,052,646
Temporarily restricted	651,017	5,750,034	-	-	-	6,401,051
Permanently restricted	-	665,780	-	-	-	665,780
Total net assets	<u>80,848,430</u>	<u>59,282,808</u>	<u>69,276</u>	<u>518,963</u>	<u>(2,600,000)</u>	<u>138,119,477</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 108,087,651</u></b>	<b><u>\$ 60,093,411</u></b>	<b><u>\$ 90,998</u></b>	<b><u>\$ 518,963</u></b>	<b><u>\$ (2,957,915)</u></b>	<b><u>\$ 165,833,108</u></b>

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>APA</u>	<u>APAF</u>	<u>PAC</u>	<u>APIT</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED REVENUE</b>						
Publications	\$ 28,419,774	\$ -	\$ -	\$ -	\$ -	\$ 28,419,774
Annual meeting	9,499,689	-	-	-	-	9,499,689
Membership dues	10,005,381	-	-	-	-	10,005,381
Contributions	11,885	384,204	234,498	-	-	630,587
Government grants and contracts	34,696	873,588	-	-	-	908,284
Royalties	1,003,333	-	-	-	-	1,003,333
Other revenue	1,293,246	15,039	-	-	-	1,308,285
Net assets released from donor restrictions	<u>168,246</u>	<u>1,244,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,306</u>
Total unrestricted revenue	<u>50,436,250</u>	<u>2,516,891</u>	<u>234,498</u>	<u>-</u>	<u>-</u>	<u>53,187,639</u>
<b>EXPENSES</b>						
Program Services:						
Publications	15,444,826	-	-	-	-	15,444,826
CME and life long learning	6,777,770	-	-	-	-	6,777,770
External affairs	6,258,200	-	180,000	-	-	6,438,200
Research and Training	2,818,761	2,733,661	-	-	-	5,552,422
Member relations	2,475,985	-	-	-	-	2,475,985
Public education	<u>-</u>	<u>2,043,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,043,109</u>
Total program services	<u>33,775,542</u>	<u>4,776,770</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>38,732,312</u>
Supporting Services:						
General and administrative	11,989,882	345,450	-	2,500	-	12,337,832
Governance	3,252,669	-	-	-	-	3,252,669
Fundraising	<u>-</u>	<u>359,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,718</u>
Total supporting services	<u>15,242,551</u>	<u>705,168</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>15,950,219</u>
Total expenses	<u>49,018,093</u>	<u>5,481,938</u>	<u>180,000</u>	<u>2,500</u>	<u>-</u>	<u>54,682,531</u>
Change in unrestricted net assets before other items	1,418,157	(2,965,047)	54,498	(2,500)	-	(1,494,892)
<b>OTHER ITEMS</b>						
Investment income	649,324	491,281	-	51	-	1,140,656
Minimum pension liability adjustment	41,410	-	-	-	-	41,410
Income tax expense	<u>(311,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,782)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>\$ <u>1,797,109</u></b>	<b>\$ <u>(2,473,766)</u></b>	<b>\$ <u>54,498</u></b>	<b>\$ <u>(2,449)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>(624,608)</u></b>
<b>TEMPORARILY RESTRICTED REVENUE</b>						
Contributions	\$ 70,113	\$ 2,425,768	\$ -	\$ -	\$ -	\$ 2,495,881
Change in value of unitrust agreement	-	2,411	-	-	-	2,411
Net assets released from donor restrictions	(168,246)	(1,244,060)	-	-	-	(1,412,306)
Investment income	<u>-</u>	<u>29,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,430</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>(98,133)</u></b>	<b>\$ <u>1,213,549</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,115,416</u></b>

AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>APA</u>	<u>APAF</u>	<u>PAC</u>	<u>APIT</u>	<u>Eliminations</u>	<u>Total</u>
<b>PERMANENTLY RESTRICTED REVENUE</b>						
Contributions	\$ <u>-</u>	\$ <u>7,825</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,825</u>
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	\$ <u>-</u>	\$ <u>7,825</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,825</u>

## AMERICAN PSYCHIATRIC ASSOCIATION AND AFFILIATES

CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>APA</u>	<u>APAF</u>	<u>PAC</u>	<u>APIT</u>	<u>Eliminations</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>						
Net assets at beginning of year	\$ 78,400,304	\$ 55,340,760	\$ 14,778	\$ 521,412	\$ (2,600,000)	\$ 131,677,254
Change in unrestricted net assets	<u>1,797,109</u>	<u>(2,473,766)</u>	<u>54,498</u>	<u>(2,449)</u>	<u>-</u>	<u>(624,608)</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 80,197,413</u></b>	<b><u>\$ 52,866,994</u></b>	<b><u>\$ 69,276</u></b>	<b><u>\$ 518,963</u></b>	<b><u>\$ (2,600,000)</u></b>	<b><u>\$ 131,052,646</u></b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>						
Net assets at beginning of year	\$ 749,150	\$ 4,536,485	\$ -	\$ -	\$ -	\$ 5,285,635
Change in temporarily restricted net assets	<u>(98,133)</u>	<u>1,213,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,115,416</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 651,017</u></b>	<b><u>\$ 5,750,034</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,401,051</u></b>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>						
Net assets at beginning of year	\$ -	\$ 657,955	\$ -	\$ -	\$ -	\$ 657,955
Change in permanently restricted net assets	<u>-</u>	<u>7,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,825</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 665,780</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 665,780</u></b>
<b>GRAND TOTAL NET ASSETS AT END OF YEAR</b>	<b><u>\$ 80,848,430</u></b>	<b><u>\$ 59,282,808</u></b>	<b><u>\$ 69,276</u></b>	<b><u>\$ 518,963</u></b>	<b><u>\$ (2,600,000)</u></b>	<b><u>\$ 138,119,477</u></b>

**AMERICAN PSYCHIATRIC ASSOCIATION**  
**UNCONSOLIDATED SCHEDULES OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2015 AND 2014**

**ASSETS**

	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 14,066,577	\$ 6,597,961
Accounts receivable, net	4,920,460	5,364,125
Taxes receivable	-	650,757
Due from affiliates	357,915	1,636,932
Publications inventory, net	1,482,405	1,661,348
Prepaid expenses	367,744	695,606
Total current assets	<u>21,195,101</u>	<u>16,606,729</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	1,681,800	1,681,125
Software	5,173,014	4,536,941
Leasehold improvements	1,127,391	1,127,391
	7,982,205	7,345,457
Less: Accumulated depreciation and amortization	<u>(6,194,534)</u>	<u>(5,136,479)</u>
Net fixed assets	<u>1,787,671</u>	<u>2,208,978</u>
<b>OTHER ASSETS</b>		
Investments	73,215,469	72,941,988
DSM 5 development costs, net	8,448,294	9,205,828
Lease/Purchase costs	689,148	-
Deposits	151,968	151,968
Intangible assets	2,600,000	2,600,000
Total other assets	<u>85,104,879</u>	<u>84,899,784</u>
<b>TOTAL ASSETS</b>	<b><u>\$108,087,651</u></b>	<b><u>\$103,715,491</u></b>

## LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,187,549	\$ 4,597,128
Deferred revenue:		
Membership	4,825,010	4,777,455
Subscriptions	5,927,068	5,599,141
Meetings	1,418,570	1,304,052
Other deferred revenue, current portion	1,057,715	440,774
Current portion of deferred rent abatement	<u>387,302</u>	<u>318,222</u>
Total current liabilities	<u>18,803,214</u>	<u>17,036,772</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued pension liability	4,285,061	4,672,671
Other deferred revenue, net of current portion	1,916,667	-
Deferred rent abatement, net of current portion	468,620	855,922
Deferred compensation plan	<u>1,765,659</u>	<u>2,000,672</u>
Total long-term liabilities	<u>8,436,007</u>	<u>7,529,265</u>
Total liabilities	<u>27,239,221</u>	<u>24,566,037</u>
<b>NET ASSETS</b>		
Unrestricted	80,197,413	78,400,304
Temporarily restricted	<u>651,017</u>	<u>749,150</u>
Total net assets	<u>80,848,430</u>	<u>79,149,454</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$108,087,651</u></b>	<b><u>\$103,715,491</u></b>



**AMERICAN PSYCHIATRIC ASSOCIATION**

**UNCONSOLIDATED SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>				
Publications	\$ 28,419,774	\$ -	\$ -	\$ 28,419,774
Annual meeting	9,499,689	-	-	9,499,689
Membership dues	10,005,381	-	-	10,005,381
Contributions	11,885	70,113	-	81,998
Government grants and contracts	34,696	-	-	34,696
Royalties	1,003,333	-	-	1,003,333
Other revenue	1,293,246	-	-	1,293,246
Net assets released from donor restrictions	<u>168,246</u>	<u>(168,246)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>50,436,250</u>	<u>(98,133)</u>	<u>-</u>	<u>50,338,117</u>
<b>EXPENSES</b>				
Program Services:				
Publications	15,444,826	-	-	15,444,826
CME and life long learning	6,777,770	-	-	6,777,770
External affairs	6,258,200	-	-	6,258,200
Research and OMNA	2,818,761	-	-	2,818,761
Member relations	<u>2,475,985</u>	<u>-</u>	<u>-</u>	<u>2,475,985</u>
Total program services	<u>33,775,542</u>	<u>-</u>	<u>-</u>	<u>33,775,542</u>
Supporting Services:				
General and administrative	11,989,882	-	-	11,989,882
Governance	<u>3,252,669</u>	<u>-</u>	<u>-</u>	<u>3,252,669</u>
Total supporting services	<u>15,242,551</u>	<u>-</u>	<u>-</u>	<u>15,242,551</u>
Total expenses	<u>49,018,093</u>	<u>-</u>	<u>-</u>	<u>49,018,093</u>
Changes in net assets before other items	<u>1,418,157</u>	<u>(98,133)</u>	<u>-</u>	<u>1,320,024</u>
<b>OTHER ITEMS</b>				
Investment income	649,324	-	-	649,324
Minimum pension liability adjustment	41,410	-	-	41,410
Income tax expense	<u>(311,782)</u>	<u>-</u>	<u>-</u>	<u>(311,782)</u>
Total other items	<u>378,952</u>	<u>-</u>	<u>-</u>	<u>378,952</u>
Changes in net assets	1,797,109	(98,133)	-	1,698,976
Net assets at beginning of year	<u>78,400,304</u>	<u>749,150</u>	<u>-</u>	<u>79,149,454</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 80,197,413</u></b>	<b><u>\$ 651,017</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 80,848,430</u></b>

2014			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 32,383,317	\$ -	\$ -	\$ 32,383,317
11,541,081	-	-	11,541,081
9,908,093	-	-	9,908,093
5,508	150,725	-	156,233
-	-	-	-
1,000,000	-	-	1,000,000
1,323,390	-	-	1,323,390
<u>275,920</u>	<u>(275,920)</u>	<u>-</u>	<u>-</u>
<u>56,437,309</u>	<u>(125,195)</u>	<u>-</u>	<u>56,312,114</u>
17,881,750	-	-	17,881,750
8,691,618	-	-	8,691,618
4,496,675	-	-	4,496,675
2,219,796	-	-	2,219,796
<u>2,358,479</u>	<u>-</u>	<u>-</u>	<u>2,358,479</u>
<u>35,648,318</u>	<u>-</u>	<u>-</u>	<u>35,648,318</u>
12,513,134	-	-	12,513,134
<u>3,397,603</u>	<u>-</u>	<u>-</u>	<u>3,397,603</u>
<u>15,910,737</u>	<u>-</u>	<u>-</u>	<u>15,910,737</u>
<u>51,559,055</u>	<u>-</u>	<u>-</u>	<u>51,559,055</u>
<u>4,878,254</u>	<u>(125,195)</u>	<u>-</u>	<u>4,753,059</u>
4,363,869	-	-	4,363,869
(2,849,910)	-	-	(2,849,910)
<u>(263,261)</u>	<u>-</u>	<u>-</u>	<u>(263,261)</u>
<u>1,250,698</u>	<u>-</u>	<u>-</u>	<u>1,250,698</u>
6,128,952	(125,195)	-	6,003,757
<u>72,271,352</u>	<u>874,345</u>	<u>-</u>	<u>73,145,697</u>
<b><u>\$ 78,400,304</u></b>	<b><u>\$ 749,150</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 79,149,454</u></b>