

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION
AND AFFILIATE**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2012 AND 2011

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Independent Auditors' Report

To the Board of Directors
American Psychiatric Nurses Association and Affiliate
Falls Church, VA

We have audited the accompanying consolidated statements of financial position of American Psychiatric Nurses Association ("APNA") and American Psychiatric Nurses Foundation ("APNF"), (collectively referred to as the "Association"), (nonprofit organizations), as of December 31, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

American Psychiatric Nurses Association and Affiliate
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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of American Psychiatric Nurses Association and American Psychiatric Nurses Foundation as of December 31, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, D.C.
May 23, 2013

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 772,445	\$ 652,831
Investment	917,426	807,707
Accounts receivable	79,728	52,847
Grants and pledges receivable	297,150	25,000
Prepaid expenses	58,681	33,662
Total Current Assets	2,125,430	1,572,047
OTHER ASSETS		
Property and equipment, net (Note E)	102,997	26,069
Security deposit	23,788	10,927
Total Other Assets	126,785	36,996
TOTAL ASSETS	\$ 2,252,215	\$ 1,609,043
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 104,073	\$ 18,890
Accrued expenses	175,911	68,332
Deferred revenue	7,580	7,300
Deferred rent	42,893	-
Total Current Liabilities	330,457	94,522
NET ASSETS		
Unrestricted	1,875,758	1,468,521
Permanently restricted	46,000	46,000
Total Net Assets	1,921,758	1,514,521
TOTAL LIABILITIES AND NET ASSETS	\$ 2,252,215	\$ 1,609,043

See independent auditors' report and accompanying notes to the financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT			
Membership dues	\$ 1,030,481	\$ -	\$ 1,030,481
Annual conference	851,907	-	851,907
Sponsorships, grants and contributions	714,263	-	714,263
Royalties	187,485	-	187,485
Contract income	103,817	-	103,817
Advertising	29,200	-	29,200
Sales revenue	65,013	-	65,013
Interest and dividend income	35,978	-	35,978
Net income from investments	62,824	-	62,824
Total Revenue and Support	3,080,968		3,080,968
EXPENSES			
Program services:			
Annual conference	841,174	-	841,174
Education and information	587,027	-	587,027
Membership services	504,673	-	504,673
Total Program Services	1,932,874		1,932,874
Support services:			
Management and general	734,064		734,064
Fundraising	6,793	-	6,793
Total Support Services	740,857	-	740,857
Total Expenses	2,673,731	-	2,673,731
CHANGE IN NET ASSETS	407,237	-	407,237
NET ASSETS , beginning of period	1,468,521	46,000	1,514,521
NET ASSETS , end of period	\$ 1,875,758	\$ 46,000	\$ 1,921,758

See independent auditors' report and accompanying notes to the financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Permanently Restricted	Total
REVENUE AND SUPPORT			
Membership dues	\$ 938,203	\$ -	\$ 938,203
Annual conference	800,038	-	800,038
Sponsorships, grants and contributions	170,550	-	170,550
Royalties	176,048	-	176,048
Contract income	91,500	-	91,500
Advertising	18,600	-	18,600
Sales revenue	41,620	-	41,620
Interest and dividend income	21,912	-	21,912
Net loss from investments	(34,270)	-	(34,270)
Total Revenue and Support	2,224,201	-	2,224,201
EXPENSES			
Program services:			
Annual conference	593,823	-	593,823
Education and information	532,067	-	532,067
Membership services	260,715	-	260,715
Total Program Services	1,386,605	-	1,386,605
Support services:			
Management and general	615,412	-	615,412
Fundraising	50,779	-	50,779
Total Support Services	666,191	-	666,191
Total Expenses	2,052,796	-	2,052,796
CHANGE IN NET ASSETS	171,405	-	171,405
NET ASSETS , beginning of period	1,297,116	46,000	1,343,116
NET ASSETS , end of period	\$ 1,468,521	\$ 46,000	\$ 1,514,521

See independent auditors' report and accompanying notes to the financial statements.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	PROGRAM SERVICES				SUPPORT SERVICES			Total
	Annual Conference	Education and Information	Membership Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel costs:								
Salaries	\$ 191,806	\$ 146,198	\$ 213,833	\$ 551,837	\$ 272,535	\$ 3,477	\$ 276,012	\$ 827,849
Payroll taxes	12,412	9,460	13,837	35,709	17,636	225	17,861	53,570
Employee benefits	20,909	15,937	23,310	60,156	29,708	379	30,087	90,243
Pension	11,071	8,438	12,342	31,851	15,731	201	15,932	47,783
Subtotal personnel costs	236,198	180,033	263,322	679,553	335,610	4,282	339,892	1,019,445
Advertising	375	49	-	424	60	-	60	484
Auditing and accounting	-	-	-	-	15,235	-	15,235	15,235
Audio visual	51,456	17,252	-	68,708	2,173	-	2,173	70,881
Bank and credit card fees	-	-	-	-	84,024	-	84,024	84,024
Commission	37,733	1,890	-	39,623	-	-	-	39,623
Conference and meeting	323,137	240,420	-	563,557	2,480	-	2,480	566,037
Consultant	29,116	8,803	78,920	116,839	18,312	-	18,312	135,151
Contributions	-	-	-	-	100	-	100	100
Depreciation	4,068	3,101	4,535	11,704	5,779	74	5,853	17,557
Dues and subscriptions	90	2,290	515	2,895	25,306	-	25,306	28,201
Honorarium and scholarships	20,850	30,710	-	51,560	1,000	-	1,000	52,560
Information technology	8,863	6,756	9,881	25,500	12,594	161	12,755	38,255
Interest and investment fee	-	-	-	-	8,226	-	8,226	8,226
Insurance	-	-	-	-	9,240	-	9,240	9,240
Legal	-	-	-	-	24,961	-	24,961	24,961
Loss on disposal	-	-	-	-	5,890	-	5,890	5,890
Moving expenses	-	-	-	-	4,633	-	4,633	4,633
Occupancy	27,714	21,124	30,896	79,734	39,378	502	39,880	119,614
Office expenses	2,399	1,829	2,674	6,902	3,409	43	3,452	10,354
Office supplies	7,784	5,933	8,678	22,395	11,062	141	11,203	33,598
Postage and delivery	9,077	6,919	10,120	26,116	12,897	165	13,062	39,178
Printing and copying	9,342	7,121	10,415	26,878	13,275	169	13,444	40,322
Product expenses	3,704	-	7,494	11,198	-	-	-	11,198
Professional services	4,343	3,310	4,842	12,495	6,170	79	6,249	18,744
Telephone	5,628	4,290	6,275	16,193	7,997	102	8,099	24,292
Travel	50,461	38,462	56,256	145,179	71,699	915	72,614	217,793
Website	8,836	6,735	9,850	25,421	12,554	160	12,714	38,135
Total Expenses	\$ 841,174	\$ 587,027	\$ 504,673	\$ 1,932,874	\$ 734,064	\$ 6,793	\$ 740,857	\$ 2,673,731

See independent auditors' report and accompanying notes to the financial statements.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES				SUPPORT SERVICES			Total
	Annual Conference	Education and Information	Membership Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel costs:								
Salaries	\$ 170,491	\$ 207,689	\$ 98,895	\$ 477,075	\$ 233,098	\$ 25,678	\$ 258,776	\$ 735,851
Payroll taxes	9,618	11,716	5,579	26,913	13,148	1,449	14,597	41,510
Employee benefits	18,057	21,997	10,474	50,528	24,689	2,720	27,409	77,937
Pension	6,383	7,776	3,702	17,861	8,727	961	9,688	27,549
Subtotal personnel costs	204,549	249,178	118,650	572,377	279,662	30,808	310,470	882,847
Advertising	2,190	2,850	-	5,040	594	-	594	5,634
Auditing and accounting	-	-	-	-	11,500	-	11,500	11,500
Audio visual	14,207	17,306	8,241	39,754	19,423	2,140	21,563	61,317
Bank and credit card fees	-	-	-	-	62,631	-	62,631	62,631
Commission	50,326	2,205	-	52,531	-	-	-	52,531
Conference and meeting	166,740	61,014	536	228,290	-	-	-	228,290
Consultant	24,419	18,386	60,341	103,146	33,322	-	33,322	136,468
Contributions	-	-	-	-	1,000	-	1,000	1,000
Depreciation	2,874	3,502	1,667	8,043	3,930	433	4,363	12,406
Dues and subscriptions	-	5,820	1,950	7,770	19,082	-	19,082	26,852
Honorarium and scholarships	13,000	31,083	-	44,083	-	-	-	44,083
Information technology	4,700	5,725	2,726	13,151	6,425	708	7,133	20,284
Interest and investment fee	-	-	-	-	9,757	-	9,757	9,757
Insurance	-	-	-	-	10,847	-	10,847	10,847
Legal	-	-	-	-	5,727	-	5,727	5,727
Occupancy	24,819	30,234	14,397	69,450	33,934	3,738	37,672	107,122
Office expenses	4,093	4,986	2,374	11,453	5,595	616	6,211	17,664
Office supplies	8,809	10,731	5,110	24,650	12,045	1,327	13,372	38,022
Postage and delivery	7,906	9,631	4,586	22,123	10,809	1,191	12,000	34,123
Printing and copying	7,671	9,345	4,450	21,466	10,487	1,155	11,642	33,108
Product expenses	-	-	2,322	2,322	-	-	-	2,322
Professional services	2,593	3,159	1,504	7,256	3,544	391	3,935	11,191
Telephone	4,105	5,001	2,381	11,487	5,612	618	6,230	17,717
Travel	42,449	51,711	24,623	118,783	58,037	6,393	64,430	183,213
Website	8,373	10,200	4,857	23,430	11,449	1,261	12,710	36,140
Total Expenses	\$ 593,823	\$ 532,067	\$ 260,715	\$ 1,386,605	\$ 615,412	\$ 50,779	\$ 666,191	\$ 2,052,796

See independent auditors' report and accompanying notes to the financial statements.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 407,237	\$ 171,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of assets	5,890	-
Depreciation	17,557	12,406
Investment (gain) loss	(62,824)	34,270
Decrease (increase) in assets:		
Accounts receivable	(26,881)	1,197
Grants receivable	(272,150)	-
Prepaid expenses	(25,019)	(9,361)
Security deposit	(12,861)	-
Increase (decrease) in liabilities:		
Accounts payable	85,183	15,832
Accrued expenses	107,579	6,014
Deferred revenue	280	(24,415)
Deferred rent	42,893	-
Net Cash Provided by Operating Activities	266,884	207,348
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceed from sales	87,310	260,088
Purchases of investments	(134,204)	(290,050)
Purchases of leasehold improvements	(16,805)	-
Purchases of furniture and equipment	(83,571)	(21,000)
Net Cash Used by Investing Activities	(147,270)	(50,962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	-	(1,189)
Net Cash Used by Financing Activities	-	(1,189)
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,614	155,197
CASH AND CASH EQUIVALENTS, beginning of year	652,831	497,634
CASH AND CASH EQUIVALENTS, end of year	\$ 772,445	\$ 652,831

See independent auditors' report and accompanying notes to the financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

NOTE A – NATURE OF ORGANIZATION

The American Psychiatric Nurses Association (“APNA”) was originally established in 1983 in the state of Illinois as a not-for-profit corporation. In 1988, the Illinois Corporation was dissolved and re-formed as a Delaware not-for-profit corporation. Its primary purpose is to provide leadership to advance psychiatric mental health nursing practices, improve mental health care for individuals, families, groups, and communities and shape policy for the delivery of mental health services.

The majority of APNA’s revenues are derived from membership dues, conference registration fees, and conference and project sponsorships. APNA hosts two major conferences each year: the Annual Conference and the Clinical Psychopharmacology Institute. APNA publishes a bi-monthly Journal: “*Journal of the American Psychiatric Nurse Association*”.

APNA formed the American Psychiatric Nursing Foundation (“APNF”) in 2002 to provide resources to advance the profession of psychiatric nursing. APNA’s Board of Directors may appoint the Board of APNF. APNF was designed to raise funds to support APNA’s mission and support long-range growth.

APNA and APNF are collectively referred to as the Association.

Program Descriptions

Annual Conference – APNA holds two national conferences each year, the Clinical Psychopharmacology Institute (“CPI”) Conference in June and the Annual Conference in November. CPI focuses on complex clinical issues addressing the most current practices and insights on clinical psychopharmacology. The Annual Conference is the premiere event for psychiatric nursing and is held in a new location each year to encourage regional participation. The Association recognizes outstanding contributions to the Association and psychiatric nursing through the presentation of the Annual Awards.

Education and Information - The Association provides online continuing nursing education opportunities to members and nonmembers via their “eLearning Center”. One hundred and thirty sessions were offered in 2012 through publications, webinars, webcasts and podcasts. In order to facilitate continuing nursing education and to promote psychiatric mental health nursing, the Association administered a scholarship program for 30 graduate and undergraduate nursing students to attend the Annual Conference.

Membership Services – Expense associated with member services provides for the maintenance of the membership database and the presence of a national network that enables members to communicate with each other in development of standards and policies to advance the discipline of psychiatric-mental health nursing within the field of mental illness and substance abuse disorders.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE B - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Basis of Presentation

The consolidated financial statements include the accounts of American Psychiatric Nursing Association and the American Psychiatric Nursing Foundation. All material inter-company transactions have been eliminated.

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by either 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 are reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets as of December 31, 2012 and 2011.

Permanently Restricted Net Assets - Net assets are subject to donor-imposed stipulations that the assets will be maintained permanently by APNA. There were \$46,000 of permanently restricted net assets as of December 31, 2012 and 2011, respectively.

Cash and Cash Equivalents

The Association considers demand deposits, money market funds and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE B - SUMMARY OF ACCOUNTING POLICIES - continued

Investment

Investments are stated at fair value, based on quoted market prices, if available. Interest and dividend income is recognized when earned. Unrealized appreciation or depreciation in the fair value of investment is recognized in the statement of activities in the period in which such changes occur.

Accounts and Pledges Receivable

Accounts and pledges receivable are stated at the amount that management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes all receivables are collectible. Therefore, no allowance for uncollectible accounts has been established.

Property and Equipment

Furniture and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$500 and lives greater than one year are capitalized, while repairs and maintenance are expensed. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	7 Years
Computer, software and website	3 Years
Leasehold improvement	5 Years
Capital lease	5 Years

Deferred Revenue

Deferred revenue consists of conference registrations and exhibit booth fees received in advance of the periods to which they apply.

Deferred Rent

During 2012, the landlord provided APNA free rent, which is being amortized on a straight line basis over the term of the lease and is recorded as deferred rent liability in the statements of financial position.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE B - SUMMARY OF ACCOUNTING POLICIES – continued

Revenue Recognition

Membership dues are recognized on the cash method of accounting, which is a comprehensive method of accounting other than generally accepted accounting principles. Under the cash method of accounting, membership dues are recognized as revenue when the dues are received by the Association, rather than over the membership period.

Annual conference and sponsorship revenue is recognized in the year in which the meetings and events are held. Amounts received in advance are recorded as deferred revenue.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Revenue from royalties, publication, advertising and the sale of products is recognized in the period that it is earned.

Contracts revenue is treated as an exchange transaction, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and detailed in a supplemental schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE C – INCOME TAXES

APNA and APNF are both 501(c)(3) tax exempt organizations under Section 501(a) of the Internal Revenue Code. APNA and APNF are, however, subject to tax on business income unrelated to its exempt purpose. Both organizations are separate entities for income tax reporting, and they file separate information returns and other tax returns as required.

The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Association's income tax returns are subject to examination by the Internal Revenue Service ("IRS") for a period of three years from the date they were filed, except under certain circumstances. The Association's Form 990 tax returns for the fiscal years 2009 through 2011 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – INVESTMENTS

Generally accepted accounting principles establish a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described as follows:

- | | |
|----------------|---|
| <i>Level 1</i> | Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the Association has the ability to access. |
| <i>Level 2</i> | Inputs are based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. |
| <i>Level 3</i> | Inputs are unobservable and significant to the fair value measurement. |

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE D – INVESTMENTS – continued

There were no Level 3 inputs for any assets held by the Association as of December 31, 2012 and 2011.

The following is a description of the valuation methodologies used to measure investments at fair value:

Mutual funds - Valued at the closing price reported in the active market in which the individual securities are traded.

Common stocks - Valued at the closing price reported in the active market in which the individual securities are traded.

Bonds - Valued at the closing price reported in the active market in which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of December 31, 2012 and 2011:

	Assets at Fair Value as of December 31, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 828,905	\$ -	\$ -	\$ 828,905
Common stocks	88,521	-	-	88,521
Total	\$ 917,426	\$ -	\$ -	\$ 917,426

	Assets at Fair Value as of December 31, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 694,323	\$ -	\$ -	\$ 694,323
Common Stocks	78,890	-	-	78,890
Bonds	34,494	-	-	34,494
Total	\$ 807,707	\$ -	\$ -	\$ 807,707

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE D – INVESTMENTS – continued

Investment return for the years ended December 31, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 35,978	\$ 21,912
Net appreciation (depreciation) in fair value of investments	<u>62,824</u>	<u>(34,270)</u>
Net Investment Gain (Loss)	<u>\$ 98,802</u>	<u>\$ (12,358)</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Computer, software and website	\$ 80,771	\$ 125,645
Furniture and fixtures	56,372	36,995
Leasehold improvement	16,806	13,951
Capital lease - copier	-	11,343
	<u>153,949</u>	<u>187,934</u>
Less accumulated depreciation	<u>(50,952)</u>	<u>(161,865)</u>
Net Property and Equipment	<u>\$ 102,997</u>	<u>\$ 26,069</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$17,557 and \$12,406, respectively.

NOTE F - RETIREMENT PLAN

The Association has established a tax-deferred annuity plan that covers substantially all of its employees except student interns, consultants, and temporary employees. Eligible employees may begin participation in the plan on the first of the month following employment. Vesting in the benefits by participating employees is full and immediate. In addition, the Association established a defined contribution retirement plan. Eligible employees may begin participation in the plan upon completion of three months of service. The Association contributes 5% of employees' annual salaries to all eligible plan participants. On January 1, 2012, the Board of Directors approved an additional matching contribution of up to a maximum of 2.5% of the employee's elective deferrals. Pension expense for the years ended December 31, 2012 and 2011 totaled \$47,783 and \$27,549, respectively.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)

NOTE G – OPERATING LEASE

On August 1, 2012, the Association entered into a new lease agreement for its office space at 3141 Fairview Park Drive, Falls Church, VA. The period of this lease is for 128 months, from August 1, 2012 through March 31, 2023. The future minimum lease payments are as follows:

December 31,	2013	\$	96,243
	2014		98,895
	2015		101,613
	2016		104,396
	2017		107,259
	Thereafter through 2023		613,457
			\$ 1,121,863

The occupancy expense for the years ended December 31, 2012 and 2011 was \$119,614 and \$107,122, respectively.

NOTE H – ENDOWMENT

Effective February, 2008, Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. APNF is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so, to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, APNF classified as permanently restricted net assets the original value of gifts donated to be held in perpetuity. 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 APNF in a manner consistent with the standard of prudence prescribed by UPMIFA.

APNF has one donor restricted endowment, the Jane A. Ryan Endowment Fund. The purpose of the fund is to provide a sustaining source of income to develop a leadership program for potential Association leaders to learn how to successfully represent the President of the American Psychiatric Nurses Foundation.

APNF 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.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

(continued)

NOTE H – ENDOWMENTS - continued

To satisfy its investment objectives, APNF 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). APNF targets a diversified asset allocation that places emphasis on a balanced portfolio to preserve the principal, yet produce earnings to be spent to support the Endowment purposes.

APNF's Board of Trustees approves endowment spending as part of its annual budget formulation. As part of the budget process, APNF considers the expected return on its endowment. Accordingly, over the long term, APNF expects the current spending policy to allow its endowment to grow or at least keep the principal intact. This is consistent with APNF's objective of maintaining the purchasing power of the endowment assets held in perpetuity.

The fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Association to retain as a fund of perpetual duration. As of December 31, 2012, there were no deficiencies in the endowment funds.

The Endowment balance at December 31, 2012 and 2011 consisted of securities of \$21,000 and a pledge receivable of \$25,000 for a total of \$46,000 that were classified as permanently restricted net assets.

Investment income has been allocated to unrestricted net assets in accordance with SFAS 124, due to the absence of donor explicit stipulation to the contrary.

NOTE I – CONTINGENCIES FOR FUTURE MEETINGS

During the year, APNA entered into various contracts that included penalty clauses that would require APNA to pay certain amounts if a meeting is cancelled or if it does not meet its room block guarantees. Management believes that APNA's future exposure to such losses is unlikely.

NOTE J - RELATED PARTY TRANSACTIONS

APNA and APNF share the Executive Director, staff and office space. For the years ended December 31, 2012 and 2011, APNA owed APNF amounts totaling \$165 and \$2,255, respectively. These amounts were balances for donations made to APNF and were deposited into APNA's bank accounts.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

(continued)

NOTE K - SUBSEQUENT EVENTS

In preparing these financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through May 23, 2013, the date the financial statements were available to be issued. There were no additional events or transactions discovered during the evaluation that required further disclosure.

Independent Auditor's Report on Supplemental Information

To the Board of Directors
American Psychiatric Nurses Association and Affiliate
Falls Church, VA

We have audited the consolidated financial statements of American Psychiatric Nurses Association and American Psychiatric Nurses Foundation (collectively referred to as the "Association") as of and for the year ended December 31, 2012, and our report thereon dated May 23, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Washington, DC
May 23, 2013

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2012**

<u>ASSETS</u>	<u>APNA</u>	<u>APNF</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 729,633	\$ 42,812	\$ -	\$ 772,445
Investment	821,159	96,267	-	917,426
Accounts receivable	79,728	-	-	79,728
Grants and pledges receivable	272,150	25,000	-	297,150
Due from APNA	-	165	(165)	-
Prepaid expenses	58,681	-	-	58,681
Total Current Assets	<u>1,961,351</u>	<u>164,244</u>	<u>(165)</u>	<u>2,125,430</u>
OTHER ASSETS				
Property and equipment, net (Note E)	102,997	-	-	102,997
Security deposit	23,788	-	-	23,788
Total Other Assets	<u>126,785</u>	<u>-</u>	<u>-</u>	<u>126,785</u>
TOTAL ASSETS	<u>\$ 2,088,136</u>	<u>\$ 164,244</u>	<u>\$ (165)</u>	<u>\$ 2,252,215</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 104,073	\$ -	\$ -	\$ 104,073
Accrued expenses	175,911	-	-	175,911
Due to APNF	165	-	(165)	-
Deferred revenue	7,580	-	-	7,580
Deferred rent	42,893	-	-	42,893
Total Current Liabilities	<u>330,622</u>	<u>-</u>	<u>(165)</u>	<u>330,457</u>
NET ASSETS				
Unrestricted	1,757,514	118,244	-	1,875,758
Permanently restricted	-	46,000	-	46,000
Total Net Assets	<u>1,757,514</u>	<u>164,244</u>	<u>-</u>	<u>1,921,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,088,136</u>	<u>\$ 164,244</u>	<u>\$ (165)</u>	<u>\$ 2,252,215</u>

See independent auditors' report on supplemental information.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

	<u>APNA</u>	<u>APNF</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership dues	\$ 1,030,481	\$ -	\$ 1,030,481
Annual conference	851,907	-	851,907
Sponsorships, grants and contributions	686,651	27,612	714,263
Royalties	187,485	-	187,485
Contract income	103,817	-	103,817
Advertising	29,200	-	29,200
Sales revenue	65,013	-	65,013
Interest and dividend income	31,611	4,367	35,978
Net income from investment	54,801	8,023	62,824
Total Revenue and Support	<u>3,040,966</u>	<u>40,002</u>	<u>3,080,968</u>
EXPENSES			
Program services:			
Annual conference	841,174	-	841,174
Education and information	576,067	10,960	587,027
Membership services	504,673	-	504,673
Total Program Services	<u>1,921,914</u>	<u>10,960</u>	<u>1,932,874</u>
Support services:			
Management and general	732,361	1,703	734,064
Fundraising	6,793	-	6,793
Total Support Services	<u>739,154</u>	<u>1,703</u>	<u>740,857</u>
Total Expenses	<u>2,661,068</u>	<u>12,663</u>	<u>2,673,731</u>
CHANGE IN NET ASSETS	379,898	27,339	407,237
NET ASSETS, beginning of period	<u>1,377,616</u>	<u>136,905</u>	<u>1,514,521</u>
NET ASSETS, end of period	<u>\$ 1,757,514</u>	<u>\$ 164,244</u>	<u>\$ 1,921,758</u>

See independent auditors' report on supplemental information.