

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statement of Activities, Year Ended December 31, 2016 | 4 |
| Consolidated Statement of Activities, Year Ended December 31, 2015 | 5 |
| Consolidated Statement of Functional Expenses, Year Ended December 31, 2016 | 6 |
| Consolidated Statement of Functional Expenses, Year Ended December 31, 2015 | 7 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to the Consolidated Financial Statements | 9 - 19 |



Independent Auditor's 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 and American Psychiatric Nursing Foundation, (nonprofit organizations), as of December 31, 2016 and 2015 and the related consolidated statements of activities, functional expenses, 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 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 of 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.

Independent Auditor's Report
American Psychiatric Nurses Association and Affiliate
Page Two

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 financial positions of American Psychiatric Nurses Association and American Psychiatric Nursing Foundation as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James Marston & M^oQuade PA

Washington, DC
July 6, 2017

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

| | 2016 | 2015 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 581,968 | \$ 681,740 |
| Investments | 2,504,583 | 2,192,353 |
| Accounts receivable | 203,131 | 52,713 |
| Grants and pledges receivable | 113,996 | 216,915 |
| Prepaid expenses | 40,599 | 54,466 |
| Total Current Assets | 3,444,277 | 3,198,187 |
| OTHER ASSETS | | |
| Property and equipment, net | 77,028 | 83,201 |
| Security deposit | 23,788 | 23,788 |
| Total Other Assets | 100,816 | 106,989 |
| TOTAL ASSETS | \$ 3,545,093 | \$ 3,305,176 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 75,292 | \$ 18,939 |
| Accrued expenses | 115,567 | 123,876 |
| Deferred revenue | 202,050 | 113,720 |
| Deferred rent | 77,311 | 78,763 |
| Total Liabilities | 470,220 | 335,298 |
| NET ASSETS | | |
| Board designated | 919,799 | 887,601 |
| Undesignated | 2,109,074 | 2,036,277 |
| Total Unrestricted | 3,028,873 | 2,923,878 |
| Permanently restricted | 46,000 | 46,000 |
| Total Net Assets | 3,074,873 | 2,969,878 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,545,093 | \$ 3,305,176 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

| | Unrestricted | Permanently Restricted | Total |
|--|--------------|---------------------------|--------------|
| REVENUE AND SUPPORT | | | |
| Membership dues | \$ 1,348,670 | \$ - | \$ 1,348,670 |
| Meeting registration income | 1,280,349 | - | 1,280,349 |
| Sponsorships, grants and contributions | 154,163 | - | 154,163 |
| Royalties | 274,376 | - | 274,376 |
| Advertising | 49,278 | - | 49,278 |
| Sales revenue | 238,366 | - | 238,366 |
| Chapter income | 255,769 | - | 255,769 |
| Interest and dividend income | 62,226 | - | 62,226 |
| Net appreciation in fair value of investments | 31,071 | - | 31,071 |
| Total Revenue and Support | 3,694,268 | - | 3,694,268 |
| EXPENSES | | | |
| Program Services: | | | |
| Conferences | 1,027,435 | - | 1,027,435 |
| Education and information | 615,600 | - | 615,600 |
| Membership services | 719,730 | - | 719,730 |
| Total Program Services | 2,362,765 | - | 2,362,765 |
| Support Services: | | | |
| Management and general | 1,213,382 | - | 1,213,382 |
| Fundraising | 13,126 | - | 13,126 |
| Total Support Services | 1,226,508 | - | 1,226,508 |
| Total Expenses | 3,589,273 | - | 3,589,273 |
| CHANGE IN NET ASSETS | 104,995 | - | 104,995 |
| NET ASSETS, beginning of year | 2,923,878 | 46,000 | 2,969,878 |
| NET ASSETS, end of year | \$ 3,028,873 | \$ 46,000 | \$ 3,074,873 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Membership dues | \$ 1,310,923 | \$ - | \$ 1,310,923 |
| Meeting registration income | 1,361,124 | - | 1,361,124 |
| Sponsorships, grants and contributions | 386,219 | - | 386,219 |
| Royalties | 302,723 | - | 302,723 |
| Advertising | 42,250 | - | 42,250 |
| Sales revenue | 194,081 | - | 194,081 |
| Chapter income | 84,010 | - | 84,010 |
| Interest and dividend income | 29,346 | - | 29,346 |
| Net depreciation in fair value of investments | (62,308) | - | (62,308) |
| Total Revenue and Support | <u>3,648,368</u> | <u>-</u> | <u>3,648,368</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Conferences | 965,353 | - | 965,353 |
| Education and information | 486,470 | - | 486,470 |
| Membership services | 672,356 | - | 672,356 |
| Total Program Services | <u>2,124,179</u> | <u>-</u> | <u>2,124,179</u> |
| Support Services: | | | |
| Management and general | 978,117 | - | 978,117 |
| Fundraising | 11,086 | - | 11,086 |
| Total Support Services | <u>989,203</u> | <u>-</u> | <u>989,203</u> |
| Total Expenses | <u>3,113,382</u> | <u>-</u> | <u>3,113,382</u> |
| CHANGE IN NET ASSETS | 534,986 | - | 534,986 |
| NET ASSETS, beginning of year | <u>2,388,892</u> | <u>46,000</u> | <u>2,434,892</u> |
| NET ASSETS, end of year | <u>\$ 2,923,878</u> | <u>\$ 46,000</u> | <u>\$ 2,969,878</u> |

See independent auditor's report and accompanying notes to the consolidated financial statements.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

| | PROGRAM SERVICES | | | | SUPPORT SERVICES | | | |
|-------------------------------|---------------------|---------------------------|---------------------|------------------------|------------------------|------------------|------------------------|---------------------|
| | Conferences | Education and Information | Membership Services | Total Program Services | Management and General | Fundraising | Total Support Services | Total |
| Personnel costs: | | | | | | | | |
| Salaries | \$ 329,846 | \$ 224,295 | \$ 303,458 | \$ 857,599 | \$ 455,188 | \$ 6,597 | \$ 461,785 | \$ 1,319,384 |
| Payroll taxes | 47,844 | 32,534 | 44,016 | 124,394 | 66,023 | 957 | 66,980 | 191,374 |
| Employee benefits | 40,429 | 27,491 | 37,194 | 105,114 | 55,791 | 809 | 56,600 | 161,714 |
| Retirement | 20,556 | 13,978 | 18,911 | 53,445 | 28,367 | 411 | 28,778 | 82,223 |
| Subtotal Personnel Costs | 438,675 | 298,298 | 403,579 | 1,140,552 | 605,369 | 8,774 | 614,143 | 1,754,695 |
| Advertising | 1,642 | 90 | 47 | 1,779 | 2,654 | - | 2,654 | 4,433 |
| Auditing and accounting | - | - | - | - | 18,627 | - | 18,627 | 18,627 |
| Audio visual | 57,999 | 35,857 | - | 93,856 | 5,032 | - | 5,032 | 98,888 |
| Bank and credit card fees | 7,562 | 7,347 | 72,917 | 87,826 | 16,381 | - | 16,381 | 104,207 |
| Commission | 4,052 | - | - | 4,052 | 11,621 | - | 11,621 | 15,673 |
| Conference and meeting | 228,731 | 106,507 | - | 335,238 | 18,020 | - | 18,020 | 353,258 |
| Consultants | 43,448 | 4,063 | 5,833 | 53,344 | 101,659 | - | 101,659 | 155,003 |
| Contributions | - | - | - | - | 174 | - | 174 | 174 |
| Depreciation and amortization | 6,307 | 4,289 | 5,803 | 16,399 | 8,704 | 126 | 8,830 | 25,229 |
| Dues and subscriptions | 1,852 | 1,160 | 37,047 | 40,059 | 55,086 | - | 55,086 | 95,145 |
| Honorarium and scholarships | 25,750 | 14,225 | - | 39,975 | 26,338 | - | 26,338 | 66,313 |
| Information technology | 11,273 | 7,666 | 10,371 | 29,310 | 15,558 | 225 | 15,783 | 45,093 |
| Investment fees | - | - | - | - | 19,568 | - | 19,568 | 19,568 |
| Insurance | - | - | - | - | 13,114 | - | 13,114 | 13,114 |
| Legal | - | - | - | - | 19,275 | - | 19,275 | 19,275 |
| Occupancy | 26,672 | 18,137 | 24,538 | 69,347 | 36,808 | 533 | 37,341 | 106,688 |
| Office expenses | 10,102 | 6,870 | 9,294 | 26,266 | 13,941 | 202 | 14,143 | 40,409 |
| Office supplies | 16,064 | 10,924 | 14,779 | 41,767 | 22,169 | 321 | 22,490 | 64,257 |
| Postage and delivery | 19,771 | 13,444 | 18,190 | 51,405 | 27,285 | 395 | 27,680 | 79,085 |
| Printing and copying | 14,470 | 9,840 | 13,312 | 37,622 | 19,969 | 289 | 20,258 | 57,880 |
| Product | 4,940 | 3,359 | 4,545 | 12,844 | 6,818 | 99 | 6,917 | 19,761 |
| Professional services | 8,713 | 5,925 | 8,016 | 22,654 | 12,023 | 174 | 12,197 | 34,851 |
| Telephone | 7,607 | 5,172 | 6,998 | 19,777 | 10,497 | 152 | 10,649 | 30,426 |
| Travel | 81,596 | 55,485 | 75,069 | 212,150 | 112,603 | 1,632 | 114,235 | 326,385 |
| Website | 10,209 | 6,942 | 9,392 | 26,543 | 14,089 | 204 | 14,293 | 40,836 |
| Total Expenses | <u>\$ 1,027,435</u> | <u>\$ 615,600</u> | <u>\$ 719,730</u> | <u>\$ 2,362,765</u> | <u>\$ 1,213,382</u> | <u>\$ 13,126</u> | <u>\$ 1,226,508</u> | <u>\$ 3,589,273</u> |

See independent auditor's report and accompanying notes to the consolidated financial statements.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

| | PROGRAM SERVICES | | | | SUPPORT SERVICES | | | |
|-------------------------------|------------------|---------------------------|---------------------|------------------------|------------------------|-------------|------------------------|--------------|
| | Conferences | Education and Information | Membership Services | Total Program Services | Management and General | Fundraising | Total Support Services | Total |
| Personnel costs: | | | | | | | | |
| Salaries | \$ 272,284 | \$ 185,153 | \$ 250,501 | \$ 707,938 | \$ 375,752 | \$ 5,446 | \$ 381,198 | \$ 1,089,136 |
| Payroll taxes | 41,409 | 28,158 | 38,096 | 107,663 | 57,145 | 828 | 57,973 | 165,636 |
| Employee benefits | 27,343 | 18,593 | 25,156 | 71,092 | 37,733 | 547 | 38,280 | 109,372 |
| Retirement | 20,168 | 13,714 | 18,555 | 52,437 | 27,832 | 403 | 28,235 | 80,672 |
| Subtotal Personnel Costs | 361,204 | 245,618 | 332,308 | 939,130 | 498,462 | 7,224 | 505,686 | 1,444,816 |
| Advertising | - | - | - | - | 584 | - | 584 | 584 |
| Auditing and accounting | - | - | - | - | 14,354 | - | 14,354 | 14,354 |
| Audio visual | 60,779 | 24,520 | 2,089 | 87,388 | 3,759 | - | 3,759 | 91,147 |
| Bank and credit card fees | 33,528 | 8,656 | 51,759 | 93,943 | 16,284 | - | 16,284 | 110,227 |
| Commission | 9,123 | 800 | - | 9,923 | - | - | - | 9,923 |
| Conference and meeting | 265,078 | 45,267 | - | 310,345 | 495 | - | 495 | 310,840 |
| Consultants | 36,893 | 4,566 | 77,422 | 118,881 | 77,849 | - | 77,849 | 196,730 |
| Contributions | - | - | - | - | 1,000 | - | 1,000 | 1,000 |
| Depreciation and amortization | 5,290 | 3,597 | 4,867 | 13,754 | 7,299 | 106 | 7,405 | 21,159 |
| Dues and subscriptions | 665 | 1,500 | 30,641 | 32,806 | 42,071 | - | 42,071 | 74,877 |
| Honorarium and scholarships | 5,000 | 24,248 | 500 | 29,748 | - | - | - | 29,748 |
| Information technology | 10,395 | 7,068 | 9,563 | 27,026 | 14,344 | 208 | 14,552 | 41,578 |
| Investment fees | - | - | - | - | 15,306 | - | 15,306 | 15,306 |
| Insurance | - | - | - | - | 17,761 | - | 17,761 | 17,761 |
| Legal | - | - | - | - | 23,491 | - | 23,491 | 23,491 |
| Occupancy | 26,374 | 17,934 | 24,264 | 68,572 | 36,395 | 527 | 36,922 | 105,494 |
| Office expenses | 14,458 | 9,832 | 13,302 | 37,592 | 19,952 | 289 | 20,241 | 57,833 |
| Office supplies | 15,912 | 10,820 | 14,639 | 41,371 | 21,960 | 318 | 22,278 | 63,649 |
| Postage and delivery | 17,281 | 11,751 | 15,899 | 44,931 | 23,848 | 346 | 24,194 | 69,125 |
| Printing and copying | 16,337 | 11,109 | 15,030 | 42,476 | 22,545 | 327 | 22,872 | 65,348 |
| Product | 4,125 | 2,805 | 3,795 | 10,725 | 5,691 | 82 | 5,773 | 16,498 |
| Professional services | 5,586 | 3,798 | 5,139 | 14,523 | 7,708 | 112 | 7,820 | 22,343 |
| Telephone | 6,743 | 4,585 | 6,204 | 17,532 | 9,305 | 135 | 9,440 | 26,972 |
| Travel | 61,347 | 41,716 | 56,439 | 159,502 | 84,909 | 1,227 | 86,136 | 245,638 |
| Website | 9,235 | 6,280 | 8,496 | 24,011 | 12,745 | 185 | 12,930 | 36,941 |
| Total Expenses | \$ 965,353 | \$ 486,470 | \$ 672,356 | \$ 2,124,179 | \$ 978,117 | \$ 11,086 | \$ 989,203 | \$ 3,113,382 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

| | 2016 | 2015 |
|--|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 104,995 | \$ 534,986 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 25,229 | 21,159 |
| Net depreciation (appreciation) in fair value of investments | (31,071) | 62,308 |
| Decrease (increase) in assets: | | |
| Accounts receivable | (150,418) | 19,387 |
| Grants and pledges receivable | 102,919 | (191,915) |
| Prepaid expenses | 13,867 | (3,524) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 56,353 | 8,370 |
| Accrued expenses | (8,309) | 25,567 |
| Deferred revenue | 88,330 | 85,520 |
| Deferred rent | (1,452) | 1,332 |
| Net Cash Provided by Operating Activities | 200,443 | 563,190 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net proceed from sale of investments | 1,078,620 | 1,022,670 |
| Purchases of investments | (1,359,779) | (1,402,456) |
| Purchases of property and equipment | (19,056) | (9,227) |
| Net Cash Used by Investing Activities | (300,215) | (389,013) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (99,772) | 174,177 |
| CASH AND CASH EQUIVALENTS, beginning of year | 681,740 | 507,563 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 581,968 | \$ 681,740 |

See independent auditor's report and accompanying notes to the consolidated financial statements.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE A – NATURE OF ORGANIZATION

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. APNA’s 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 trustees APNF. APNF was designed to raise funds to support APNA’s mission and support long-range growth.

During 2016, the Board of Directors of APNF elected to dissolve the organization. As a result of the dissolution, all assets remaining with APNF, after all costs associated with dissolution were incurred, were transferred to APNA. APNF was effectively dissolved on October 18, 2016.

APNA and APNF are collectively referred to as the “Association”.

Program Descriptions

Conferences – APNA holds two national conferences each year, the Clinical Psychopharmacology Institute (“CPI”) Conference in June and the Annual Conference in October. 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-four sessions were offered in 2016 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.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE A – NATURE OF ORGANIZATION – continued

Membership Services – Expenses 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 the development of standards and policies to advance the discipline of psychiatric-mental health nursing within the field of mental illness and substance abuse disorders.

NOTE B – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

The consolidated financial statements include the accounts of APNA and APNF. All material inter-company transactions have been eliminated.

Financial statement preparation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic Not-for-Profit Entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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. Unrestricted net assets include \$919,799 and \$887,601 of board designated net assets as of December 31, 2016 and 2015, respectively, which are designated for operating reserves.

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, 2016 and 2015.

Permanently Restricted Net Assets - Net assets are subject to donor-imposed stipulations that the assets will be maintained permanently by the Association. There were \$46,000 of permanently restricted net assets as of December 31, 2016 and 2015.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued

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 equivalents.

The Association has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$11,300 at December 31, 2016. The Association maintains its cash with a high quality financial institution which the Association believes limits these risks.

Investments

Investments are stated at fair value, based on quoted market prices, if available. Interest is recognized when earned. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation in the fair value of investments include the gains or losses on investments bought and sold as well as held during the year.

Accounts, Grants and Pledges Receivable

Accounts, grants 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

Property 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. Leasehold improvements are amortized over the shorter of the assets' useful life or lease term. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|--------------------------------|---------|
| Furniture and fixtures | 7 Years |
| Computer, software and website | 3 Years |
| Leasehold improvements | 5 Years |

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued

Deferred Revenue

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

Deferred Rent

Rent expense is recognized on a straight line basis over the term of the lease. Deferred rent liability represents rent expense in excess of cash payments since commencement of the lease agreement.

Revenue Recognition

Membership dues are recognized ratably over the applicable dues period, which coincides with the Association's fiscal year. Revenue received for dues which relates to subsequent years is reflected as deferred revenue.

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 grants and contributions 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, 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.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued

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

NOTE C – INCOME TAXES

APNA and APNF are both 501(c)(3) tax exempt organizations exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code (“IRC”), except on unrelated business activities. 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 consolidated 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 information 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 returns for the years 2013 through 2015 are open for examination by the IRS, although no request has been made as of the date of these consolidated financial statements.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENT

Fair value, as defined in the fair value measurement accounting guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or exit price.

The guidance on fair value measurement accounting requires the Association make assumptions market participants would use in pricing an asset or liability based on the best information available. The Association considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments’ fair value. The

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued

principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity.

To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting topic creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where level 1 is the highest and level 3 is the lowest. The three levels are defined as follows:

Level 1 – Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Unobservable inputs should only be used to the extent observable inputs are not available.

The fair value of the Association's investments in mutual funds and common stocks are based on observable market quotations. The fair values of corporate bonds have been provided by the Association's investment managers and custodian banks, who use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued

The following table presents the Association’s fair value hierarchy, for assets measured at fair value on a recurring basis as of December 31, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------|---------------------|-------------------|----------------|---------------------|
| Mutual funds | | | | |
| Equity | \$ 1,220,914 | \$ - | \$ - | \$ 1,220,914 |
| Fixed income | 1,130,481 | - | - | 1,130,481 |
| Common stocks | 52,181 | - | - | 52,181 |
| Corporate bonds | - | 101,007 | - | 101,007 |
| Total | <u>\$ 2,403,576</u> | <u>\$ 101,007</u> | <u>\$ -</u> | <u>\$ 2,504,583</u> |

The following table presents the Association’s fair value hierarchy, for assets measured at fair value on a recurring basis as of December 31, 2015:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------|---------------------|------------------|----------------|---------------------|
| Mutual funds | | | | |
| Equity | \$ 1,292,728 | \$ - | \$ - | \$ 1,292,728 |
| Fixed income | 830,907 | - | - | 830,907 |
| Common stocks | 16,900 | - | - | 16,900 |
| Corporate bonds | - | 51,818 | - | 51,818 |
| Total | <u>\$ 2,140,535</u> | <u>\$ 51,818</u> | <u>\$ -</u> | <u>\$ 2,192,353</u> |

Although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

(continued)

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2016 and 2015:

| | 2016 | 2015 |
|--|------------|-----------|
| Computer, software and website | \$ 118,569 | \$ 99,513 |
| Furniture and fixtures | 61,620 | 61,620 |
| Leasehold improvements | 41,391 | 41,391 |
| | 221,580 | 202,524 |
| Less accumulated depreciation and amortization | (144,552) | (119,323) |
| Net Property and Equipment | \$ 77,028 | \$ 83,201 |

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled \$25,229 and \$21,159, respectively.

NOTE F – RETIREMENT PLAN

The Association established retirement benefits pursuant to Section 403(b) of the IRC. Under Section 403(b), the Association sponsors a defined contribution plan for eligible employees, who become eligible to participate after three months of service. The Association contributes 5% of employees' annual salaries. Also, all employees, excluding student interns, consultants and temporary employees, after one month of service are eligible to participate in a tax-deferred annuity plan under Section 403(b). Retirement expense for the years ended December 31, 2016 and 2015 totaled \$82,223 and \$80,672, respectively.

NOTE G – OPERATING LEASE

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

| | | |
|--------------|-------------------------|------------|
| December 31, | 2017 | \$ 107,259 |
| | 2018 | 110,220 |
| | 2019 | 113,252 |
| | 2020 | 116,358 |
| | 2021 | 119,568 |
| | Thereafter through 2023 | 154,059 |
| | | \$ 720,715 |

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE G – OPERATING LEASE – continued

The occupancy expense for the years ended December 31, 2016 and 2015, totaled \$106,688 and \$105,494, 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. The Association 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, the Association 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 the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Association has one donor restricted endowment, the Jane A. Ryan Endowment Fund (the “Fund”), donated to APNF. 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 Nursing Foundation.

Investment Return Objectives, Risk Parameters and Strategies

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.

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.

Spending Policy

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.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE H – ENDOWMENT – continued

The fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required APNF to retain as a fund of perpetual duration. As of December 31, 2016 and 2015, there were no deficiencies in the endowment funds.

The endowment balance at December 31, 2016 and 2015 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 in both years.

Investment income has been allocated to unrestricted net assets in accordance with FASB ASC 958-205, due to the absence of donor explicit stipulation to the contrary.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Net Endowment Assets</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---|
| Donor-restricted endowment funds | \$ - | \$ - | \$ 46,000 | \$ 46,000 |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 46,000</u> | <u>\$ 46,000</u> |

NOTE I – CONTINGENCIES FOR FUTURE MEETINGS

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

NOTE J – RELATED PARTY TRANSACTIONS

APNA and APNF shared the Executive Director, staff and office space through the dissolution of APNF.

On December 9, 2014, APNA pledged to donate \$250,000 to APNF with payments of \$50,000 each year for five years, beginning in 2015, however as part of the dissolution, the pledge was written off. The net present value of this pledge as of December 31, 2016 and 2015 was \$0 and \$191,846, respectively. The present value discount of the pledge was \$0 and \$8,154, as of December 31, 2016 and 2015, respectively.

AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE K – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through July 6, 2017, the date the consolidated financial statements were available to be issued. There were no additional events or transactions discovered during the evaluation that required further recognition or disclosure.