

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION  
AND AFFILIATE**

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

**DECEMBER 31, 2015 AND 2014**

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## 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, 2015 and 2014 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  
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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, 2015 and 2014, 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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of activities on pages 20 and 21 are presented for purposes of additional analysis and is 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.

*Jane Morrison & McQuade PA*

Washington, DC  
May 5, 2016

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

	2015	2014
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 681,740	\$ 507,563
Investments	2,192,353	1,874,875
Accounts receivable	52,713	72,100
Grants and pledges receivable	216,915	25,000
Prepaid expenses	54,466	50,942
Total Current Assets	3,198,187	2,530,480
<b>OTHER ASSETS</b>		
Property and equipment, net	83,201	95,133
Security deposit	23,788	23,788
Total Other Assets	106,989	118,921
<b>TOTAL ASSETS</b>	<b>\$ 3,305,176</b>	<b>\$ 2,649,401</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,939	\$ 10,569
Accrued expenses	123,876	98,309
Deferred revenue	113,720	28,200
Deferred rent	78,763	77,431
Total Current Liabilities	335,298	214,509
<b>NET ASSETS</b>		
Board designated	887,601	688,175
Undesignated	2,036,277	1,700,717
Total Unrestricted	2,923,878	2,388,892
Permanently restricted	46,000	46,000
Total Net Assets	2,969,878	2,434,892
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,305,176</b>	<b>\$ 2,649,401</b>

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**

	Unrestricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>			
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	3,648,368	-	3,648,368
<b>EXPENSES</b>			
Program Services:			
Conferences	965,353	-	965,353
Education and information	486,470	-	486,470
Membership services	672,356	-	672,356
Total Program Services	2,124,179	-	2,124,179
Support Services:			
Management and general	978,117	-	978,117
Fundraising	11,086	-	11,086
Total Support Services	989,203	-	989,203
Total Expenses	3,113,382	-	3,113,382
<b>CHANGE IN NET ASSETS</b>	534,986	-	534,986
<b>NET ASSETS, beginning of year</b>	2,388,892	46,000	2,434,892
<b>NET ASSETS, end of year</b>	\$ 2,923,878	\$ 46,000	\$ 2,969,878

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, 2014**

	Unrestricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Membership dues	\$ 1,169,926	\$ -	\$ 1,169,926
Meeting registration income	1,060,374	-	1,060,374
Sponsorships, grants and contributions	237,328	-	237,328
Royalties	242,927	-	242,927
Contract income	58,488	-	58,488
Advertising	30,850	-	30,850
Sales revenue	124,434	-	124,434
Interest and dividend income	38,725	-	38,725
Net appreciation in fair value of investments	36,973	-	36,973
Total Revenue and Support	3,000,025	-	3,000,025
<b>EXPENSES</b>			
Program Services:			
Conferences	829,621	-	829,621
Education and information	450,071	-	450,071
Membership services	611,998	-	611,998
Total Program Services	1,891,690	-	1,891,690
Support Services:			
Management and general	878,086	-	878,086
Fundraising	9,952	-	9,952
Total Support Services	888,038	-	888,038
Total Expenses	2,779,728	-	2,779,728
<b>CHANGE IN NET ASSETS</b>	220,297	-	220,297
<b>NET ASSETS, beginning of year</b>	2,168,595	46,000	2,214,595
<b>NET ASSETS, end of year</b>	\$ 2,388,892	\$ 46,000	\$ 2,434,892

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 STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014**

	PROGRAM SERVICES				SUPPORT SERVICES			Total
	Conferences	Education and Information	Membership Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel costs:								
Salaries	\$ 248,362	\$ 168,886	\$ 228,493	\$ 645,741	\$ 342,739	\$ 4,967	\$ 347,706	\$ 993,447
Payroll taxes	35,188	23,928	32,373	91,489	48,558	704	49,262	140,751
Employee benefits	23,329	15,864	21,463	60,656	32,193	467	32,660	93,316
Retirement	16,209	11,022	14,913	42,144	22,369	324	22,693	64,837
Subtotal personnel costs	323,088	219,700	297,242	840,030	445,859	6,462	452,321	1,292,351
Advertising	6,996	-	-	6,996	-	-	-	6,996
Auditing and accounting	-	-	-	-	15,690	-	15,690	15,690
Audio visual	64,569	21,748	6,120	92,437	-	-	-	92,437
Bank and credit card fees	23,095	5,516	59,187	87,798	15,188	-	15,188	102,986
Commission	44,145	-	-	44,145	-	-	-	44,145
Conference and meeting	155,006	51,020	-	206,026	3,016	-	3,016	209,042
Consultants	21,100	6,390	58,218	85,708	56,964	-	56,964	142,672
Contributions	-	-	-	-	200	-	200	200
Depreciation and amortization	4,190	2,849	3,855	10,894	5,781	84	5,865	16,759
Dues and subscriptions	665	1,500	30,641	32,806	19,336	-	19,336	52,142
Honorarium and scholarships	16,400	25,500	-	41,900	5,298	-	5,298	47,198
Information technology	8,663	5,891	7,970	22,524	11,953	173	12,126	34,650
Investment fees	-	-	-	-	14,570	-	14,570	14,570
Insurance	-	-	-	-	13,593	-	13,593	13,593
Legal	-	-	-	-	46,821	-	46,821	46,821
Moving	-	-	-	-	351	-	351	351
Occupancy	26,275	17,867	24,173	68,315	36,259	525	36,784	105,099
Office expenses	3,395	2,309	3,123	8,827	4,685	68	4,753	13,580
Office supplies	16,712	11,364	15,375	43,451	23,064	334	23,398	66,849
Postage and delivery	18,042	12,268	16,598	46,908	24,897	361	25,258	72,166
Printing and copying	16,224	11,032	14,926	42,182	22,391	324	22,715	64,897
Product	7,209	4,902	6,633	18,744	9,949	144	10,093	28,837
Professional services	6,891	4,686	6,339	17,916	9,508	138	9,646	27,562
Telephone	6,354	4,321	5,845	16,520	8,768	127	8,895	25,415
Travel	48,670	33,095	44,776	126,541	67,480	973	68,453	194,994
Website	11,932	8,113	10,977	31,022	16,465	239	16,704	47,726
Total Expenses	\$ 829,621	\$ 450,071	\$ 611,998	\$ 1,891,690	\$ 878,086	\$ 9,952	\$ 888,038	\$ 2,779,728

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, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 534,986	\$ 220,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,159	16,759
Net depreciation (appreciation) in fair value of investments	62,308	(36,973)
Decrease (increase) in assets:		
Accounts receivable	19,387	2,338
Grants and pledges receivable	(191,915)	25,000
Prepaid expenses	(3,524)	(16,025)
Increase (decrease) in liabilities:		
Accounts payable	8,370	(4,870)
Accrued expenses	25,567	(49,061)
Deferred revenue	85,520	10,470
Deferred rent	1,332	4,050
Net Cash Provided by Operating Activities	563,190	171,985
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceed from sale of investments	1,022,670	106,379
Purchases of investments	(1,402,456)	(128,675)
Purchases of property and equipment	(9,227)	(7,315)
Net Cash Used by Investing Activities	(389,013)	(29,611)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	174,177	142,374
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	507,563	365,189
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 681,740	\$ 507,563

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, 2015 AND 2014**

**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.

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 2015 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* – 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.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
(continued)

**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 \$887,601,197 and \$688,175 of board designated net assets as of December 31, 2015 and 2014, 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, 2015 and 2014.

*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, 2015 and 2014.

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.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

(continued)

**NOTE B – SUMMARY OF ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents – continued

The Association has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$85,000 at December 31, 2015. 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

Deferred Revenue

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

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
(continued)

**NOTE B – SUMMARY OF ACCOUNTING POLICIES – continued**

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, 2015 AND 2014**  
(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 2012 through 2014 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, 2015 AND 2014**  
(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, 2015 AND 2014**  
(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, 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>

The following table presents the Association’s fair value hierarchy, for assets measured at fair value on a recurring basis as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity	\$ 954,257	\$ -	\$ -	\$ 954,257
Fixed income	834,606	-	-	834,606
Common stocks	34,743	-	-	34,743
Corporate bonds	-	51,269	-	51,269
Total	<u>\$ 1,823,606</u>	<u>\$ 51,269</u>	<u>\$ -</u>	<u>\$ 1,874,875</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, 2015 AND 2014**

(continued)

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Computer, software and website	\$ 99,513	\$ 90,286
Furniture and fixtures	61,620	61,620
Leasehold improvements	41,391	41,391
	202,524	193,297
Less accumulated depreciation and amortization	(119,323)	(98,164)
Net Property and Equipment	\$ 83,201	\$ 95,133

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 totaled \$21,159 and \$16,759, 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, 2015 and 2014 totaled \$80,672 and \$64,837, 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,	2016	\$ 104,396
	2017	107,259
	2018	110,220
	2019	113,252
	2020	116,358
	Thereafter through 2023	273,627
		\$ 825,112

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
(continued)

**NOTE G – OPERATING LEASE - continued**

The occupancy expense for the years ended December 31, 2015 and 2014, totaled \$105,494 and \$105,099, 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, 2015 AND 2014**  
(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, 2015 and 2014, there were no deficiencies in the endowment funds.

The endowment balance at December 31, 2015 and 2014 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 share the Executive Director, staff and office space. For the years ended December 31, 2015 and 2014, APNA owed APNF amounts totaling \$0 and \$26,635, respectively. These amounts were balances for donations during the conference made to APNF that were deposited into APNA’s bank accounts.

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. The net present value of this pledge as of December 31, 2015 and 2014 was \$191,846 and \$240,911, respectively. The present value discount of the pledge was \$8,154 and \$9,089, as of December 31, 2015 and 2014, respectively.

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**  
(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 May 5, 2016, 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.

## **SUPPLEMENTARY INFORMATION**

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2015**

	<u>APNA</u>	<u>APNF</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 615,247	\$ 66,493	\$ -	\$ 681,740
Investments	2,028,816	163,537	-	2,192,353
Accounts receivable	52,713	-	-	52,713
Grants and pledges receivable	191,915	25,000	-	216,915
Pledges receivable - related party, net	-	191,846	(191,846)	-
Prepaid expenses	54,466	-	-	54,466
Total Current Assets	<u>2,943,157</u>	<u>446,876</u>	<u>(191,846)</u>	<u>3,198,187</u>
<b>OTHER ASSETS</b>				
Property and equipment, net	83,201	-	-	83,201
Security deposit	23,788	-	-	23,788
Total Other Assets	<u>106,989</u>	<u>-</u>	<u>-</u>	<u>106,989</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,050,146</u>	<u>\$ 446,876</u>	<u>\$ (191,846)</u>	<u>\$ 3,305,176</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 18,939	\$ -	\$ -	\$ 18,939
Pledges payable - related party, net	191,846	-	(191,846)	-
Accrued expenses	123,876	-	-	123,876
Deferred revenue	113,720	-	-	113,720
Deferred rent	78,763	-	-	78,763
Total Current Liabilities	<u>527,144</u>	<u>-</u>	<u>(191,846)</u>	<u>335,298</u>
<b>NET ASSETS</b>				
Board designated	887,601	-	-	887,601
Undesignated	1,635,401	400,876	-	2,036,277
Total Unrestricted	<u>2,523,002</u>	<u>400,876</u>	<u>-</u>	<u>2,923,878</u>
Permanently restricted	-	46,000	-	46,000
Total Net Assets	<u>2,523,002</u>	<u>446,876</u>	<u>-</u>	<u>2,969,878</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,050,146</u>	<u>\$ 446,876</u>	<u>\$ (191,846)</u>	<u>\$ 3,305,176</u>

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

**AMERICAN PSYCHIATRIC NURSES ASSOCIATION AND AFFILIATE  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

	<u>APNA</u>	<u>APNF</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Membership dues	\$ 1,310,923	\$ -	\$ -	\$ 1,310,923
Meeting registration income	1,361,124	-	-	1,361,124
Sponsorships, grants and contributions	379,032	8,122	(935)	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	27,511	1,835	-	29,346
Net depreciation in fair value of investments	(57,454)	(4,854)	-	(62,308)
Total Revenue and Support	<u>3,644,200</u>	<u>5,103</u>	<u>(935)</u>	<u>3,648,368</u>
<b>EXPENSES</b>				
Program services:				
Conferences	965,353	-	-	965,353
Education and information	472,720	13,750	-	486,470
Membership services	672,356	-	-	672,356
Total Program Services	<u>2,110,429</u>	<u>13,750</u>	<u>-</u>	<u>2,124,179</u>
Support services:				
Management and general	965,896	13,156	(935)	978,117
Fundraising	11,086	-	-	11,086
Total Support Services	<u>976,982</u>	<u>13,156</u>	<u>(935)</u>	<u>989,203</u>
Total Expenses	<u>3,087,411</u>	<u>26,906</u>	<u>(935)</u>	<u>3,113,382</u>
<b>CHANGE IN NET ASSETS</b>	556,789	(21,803)	-	534,986
<b>NET ASSETS, beginning of year</b>	<u>1,966,213</u>	<u>468,679</u>	<u>-</u>	<u>2,434,892</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,523,002</u>	<u>\$ 446,876</u>	<u>\$ -</u>	<u>\$ 2,969,878</u>

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