

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

FINANCIAL STATEMENTS
As of December 31, 2008 and 2007



RAFFA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
American Psychological Foundation, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statements of financial position of the American Psychological Foundation, Inc. (the Foundation) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Psychological Foundation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
April 6, 2009

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 159,038	\$ 194,158
Short-term investments	109,560	104,039
Mutual fund investments (bonds)	1,867,492	3,111,879
Mutual fund investments (stock)	2,743,079	4,561,341
Investment in common stock	3,744,628	7,383,169
Contribution receivable - life insurance	500,000	119,010
Contribution receivable - trust	45,961	82,191
Contribution receivable - bequest	977,561	-
Contributions receivable, net	489,045	309,009
Computer software, net of depreciation	3,717	7,433
Other assets	-	10,879
Total assets	<u>\$ 10,640,081</u>	<u>\$ 15,883,108</u>
 Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 19,020	\$ 49,775
Accounts payable to APA	5,972	132,102
Grants, awards and scholarships payable	8,750	85,513
Total liabilities	<u>33,742</u>	<u>267,390</u>
 Net assets:		
Unrestricted	2,231,245	3,699,534
Temporarily restricted	8,375,094	11,916,184
Total net assets	<u>10,606,339</u>	<u>15,615,718</u>
 Total liabilities and net assets	 <u>\$ 10,640,081</u>	 <u>\$ 15,883,108</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Contributions	\$ 258,745	\$ 1,759,168	\$ 2,017,913	\$ 282,441	\$ 472,307	\$ 754,748
Royalties and permissions	48,311	7,637	55,948	43,319	10,550	53,869
Net investment income (losses)	(1,612,569)	(4,050,132)	(5,662,701)	252,708	772,654	1,025,362
Net assets released from restrictions	1,310,408	(1,310,408)	-	1,261,594	(1,261,594)	-
Total revenues	<u>4,895</u>	<u>(3,593,735)</u>	<u>(3,588,840)</u>	<u>1,840,062</u>	<u>(6,083)</u>	<u>1,833,979</u>
Expenses:						
Gold Medal awards	12,418	-	12,418	11,296	-	11,296
Teaching awards	2,916	-	2,916	3,429	-	3,429
Awards	116,000	-	116,000	112,013	-	112,013
Lectures	6,500	-	6,500	9,070	-	9,070
Scholarships	257,779	-	257,779	197,440	-	197,440
Research/other grants	308,620	-	308,620	465,096	-	465,096
Other programs	4,893	-	4,893	11,941	-	11,941
Gifted Children Project	3,540	-	3,540	5,619	-	5,619
Committee/other programs	-	-	-	11,202	-	11,202
Total programs and award expenses	<u>712,666</u>	<u>-</u>	<u>712,666</u>	<u>827,106</u>	<u>-</u>	<u>827,106</u>

Continued

The accompanying notes are an integral part of these financial statements.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Salaries and benefits	\$ 460,260	\$ -	\$ 460,260	\$ 388,986	\$ -	\$ 388,986
Asset management fees	54,138	-	54,138	68,691	-	68,691
Supplies and printing	36,516	-	36,516	40,131	-	40,131
Miscellaneous	29,954	-	29,954	25,745	-	25,745
Meetings and receptions	19,604	-	19,604	32,303	-	32,303
Travel	26,312	-	26,312	30,704	-	30,704
Advancement activities	14,125	-	14,125	3,798	-	3,798
Consulting fees/contractual services	66,964	-	66,964	45,668	-	45,668
Total general and administrative expenses	<u>707,873</u>	<u>-</u>	<u>707,873</u>	<u>636,026</u>	<u>-</u>	<u>636,026</u>
Total expenses	<u>1,420,539</u>	<u>-</u>	<u>1,420,539</u>	<u>1,463,132</u>	<u>-</u>	<u>1,463,132</u>
Reclassification of unrestricted net assets based on donor's restriction	<u>(52,645)</u>	<u>52,645</u>	<u>-</u>	<u>(61,053)</u>	<u>61,053</u>	<u>-</u>
Change in net assets	(1,468,289)	(3,541,090)	(5,009,379)	315,877	54,970	370,847
Net assets, beginning of year	<u>3,699,534</u>	<u>11,916,184</u>	<u>15,615,718</u>	<u>3,383,657</u>	<u>11,861,214</u>	<u>15,244,871</u>
Net assets, end of year	<u><u>\$ 2,231,245</u></u>	<u><u>\$ 8,375,094</u></u>	<u><u>\$ 10,606,339</u></u>	<u><u>\$ 3,699,534</u></u>	<u><u>\$ 11,916,184</u></u>	<u><u>\$ 15,615,718</u></u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (5,009,379)	\$ 370,847
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized losses(gains) on sale of investments	517,358	(117,074)
Unrealized losses on investments	5,476,948	12,702
Amortization expense	3,717	3,717
Discount on long-term receivables	3,692	(14,877)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contribution receivable - trust	36,230	(2,736)
Contribution receivable - life insurance	(380,990)	5,363
Contribution receivable - bequest	(977,561)	-
Contributions receivable	(183,728)	82,522
Other assets	10,879	6,300
Increase (decrease) in:		
Accounts payable and accrued liabilities	(30,755)	35,162
Grants, awards and scholarships payable	(76,763)	77,013
Accounts payable to APA	(126,130)	129,968
Net cash (used in) provided by operating activities	<u>(736,482)</u>	<u>588,907</u>
Cash flows from investing activities:		
Purchase of investments	(1,897,196)	(1,990,920)
Proceeds from sale of investments	2,598,558	1,388,996
Purchase of fixed assets	-	(11,150)
Net cash provided by (used in) investing activities	<u>701,362</u>	<u>(613,074)</u>
Changes in cash and cash equivalents	(35,120)	(24,167)
Cash and cash equivalents, beginning of year	<u>194,158</u>	<u>218,325</u>
Cash and cash equivalents, end of year	<u>\$ 159,038</u>	<u>\$ 194,158</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

1. Organization

The American Psychological Foundation, Inc. (the Foundation), is a Delaware nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is a nonprofit, philanthropic organization that provides financial support for innovative research and programs that enhance the power of psychology to elevate the human condition and advance human potential both now and in generations to come. These activities are funded primarily through contributions and investment income.

2. Significant Accounting Policies

Basis of presentation

The Foundation's financial statements are presented using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

For financial reporting purposes, the Foundation considers investments with original maturities of three months or less to be cash equivalents except cash held by an investment custodian for investment purposes.

Computer software and related amortization

Software is recorded at cost and is amortized using the straight-line method over three years, with no salvage value.

Recognition of revenue

The Foundation's operations are supported primarily by contributions, including bequests. Additional sources include contributions received through a check-off option on the American Psychological Association, Inc.'s (APA) dues and dues-exempt statements, the assignment of royalties, and a portion of the reprint revenue from the sale of certain APA copyrighted publications. The Foundation reports gifts of cash and other assets as restricted revenue 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Wills are recorded as contribution revenue when the probate courts declare the wills valid and the proceeds are measurable.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

2. Significant Accounting Policies (continued)

Promises to give

Unconditional promises to give are recorded as contributions in the period the promise is made. The contributions received are measured at their present value and are included in contributions receivable in the accompanying statements of financial position. The present value calculations assume payments in equal installments over future years. Payments due in future years are considered to have temporary restrictions that expire by the passage of time; the present value of these payments is included in temporarily restricted net assets in the accompanying financial statements.

Investments

Investments are recorded at fair market value based on quoted market prices at December 31, 2008 and 2007. Gains and losses arising from the sale, maturity, or other disposition of investments are accounted for on a specific identification basis calculated as of the trade date. Unrealized and realized gains and losses are reported as investment income (losses) on the accompanying statements of activities. Short term investments consist of an institutional money market fund held for investment purposes.

Unrestricted and restricted funds are pooled together into common investment accounts and investment income (loss) is allocated among unrestricted and temporarily restricted net assets based on the ending individual net asset balances as a percentage of the total of all net assets.

In 2008 and 2007, the net investment (loss)/income allocated to the temporarily restricted funds was (\$4,050,132) and \$772,654, respectively, and is included within net investment income (losses) on the accompanying statements of activities.

Classification of net assets

The Foundation's net assets have been grouped into the following two classes:

Temporarily restricted – Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by meeting the purpose of the donation.

Unrestricted – Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Continued

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. Significant Accounting Policies (continued)

Unrealized and realized gains and losses and dividends and interest from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions.

Functional Expenses

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on the actual amount of time worked on each program or activity or other reasonable basis. Functional expenses are as follows:

	<u>2008</u>	<u>2007</u>
Program services	\$ 1,005,173	\$ 1,125,537
Management and general	211,657	170,683
Fundraising	<u>203,709</u>	<u>166,912</u>
Total functional expenses	<u>\$ 1,420,539</u>	<u>\$ 1,463,132</u>

Grant, award and scholarship expenses

Grant and award expenses of the Foundation are recorded in the accompanying statement of financial position as payables and as expenses at the time that the grant, award, or scholarship has been both approved by the Board of Trustees and accepted by the recipient.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures. Actual results could differ from those estimates.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

3. Contributions receivable

As of December 31, 2008 and 2007, APF has received unconditional promises to give of \$489,045 and \$309,009, respectively. The contributions are due as follows:

	<u>2008</u>	<u>2007</u>
Less than one year	\$253,981	\$ 120,767
One to five years	252,274	201,760
Subtotal	506,255	322,527
Less: present value discount	<u>(12,010)</u>	<u>(8,318)</u>
Total contributions receivable	494,245	314,209
Less: allowance for uncollectible receivables	<u>(5,200)</u>	<u>(5,200)</u>
Contributions receivable, net	<u>\$489,045</u>	<u>\$ 309,009</u>

Discount rates ranging from 2.24% to 4.30% were used to determine the present value discount.

Contribution receivable – trust

In 2003, the Foundation was named beneficiary of an irrevocable Charitable Remainder Trust (the “Trust”). Under the Trust Agreement, a third-party trustee will pay the donor a unitrust amount of 6.5% of the net fair market value of the assets of the Trust at the valuation date (as defined). The unitrust amount will be paid in quarterly installments over the lifetime of the donor. Upon death of the donor, the Foundation will receive the remaining assets of the Trust. The fair value of the Trust at December 31, 2008 and 2007 was \$45,961 and \$82,191, respectively, which was measured at the present value of the future expected benefit using a rate of 3.4% and 5%, respectively. The amount is recorded as a Contribution Receivable - Trust at December 31, 2008 and 2007. The loss in market value of the Trust of \$36,230 for the year ended December 31, 2008 and the gain in the market value of the Trust of \$2,736 for the year ended December 31, 2007 is included in contributions in the accompanying statements of activities.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

3. Contributions Receivable (continued)

Contribution receivable – life insurance

In 2004, the Foundation was gifted a Life Insurance Policy (the “Policy”) with a face value of \$500,000. APF is the owner and beneficiary of the Policy. The donor had agreed to an annual cash donation to the Foundation equal to the annual premiums on the policy for and during the donor’s lifetime. In the event that reimbursement was not received from the donor for the payment of the annual premium, the Foundation could continue paying the premiums until the donor’s death. The present value of the future expected premium payments, measured using a rate of 4.75%, was recorded as Contribution Receivable – Life Insurance at December 31, 2007. In 2008, the donor passed away and the insurance proceeds to be received under the policy are recorded as Contribution Receivable - Life Insurance as of December 31, 2008 and Contributions for the year ended December 31, 2008 in the accompanying financial statements.

Contribution receivable – bequest

In addition to the life insurance policy noted above, the same donor left a bequest of \$977,561 to the Foundation that is recorded as Contributions Receivable – Bequest in the accompanying statement of financial position as of December 31, 2008.

4. Investment Income (loss)

Investment income consists of the following at December 31, 2008 and 2007, respectively:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 44,451	\$ 67,893
Mutual fund income	287,154	853,097
Realized (loss)/gain	(517,358)	117,074
Unrealized losses	<u>(5,476,948)</u>	<u>(12,702)</u>
Investment income (loss)	<u>\$ (5,662,701)</u>	<u>\$ 1,025,362</u>

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

5. Temporarily Restricted Net Assets

At December 31, 2008 and 2007, the balance in temporarily restricted net assets consisted of the funds listed below:

	2008	2007
Benton-Meier Fund ¹	\$ 37,253	\$ 69,762
William Bevan Fund ²	77,829	135,400
Theodore H. Blau Fund ³	31,873	55,877
Dorothy W. Cantor Fund ⁴	45,854	79,822
Mamie P. and Kenneth B. Clark Fund ⁵	161,191	259,714
Frances M. Culbertson Fund ⁶	33,834	60,365
Nicholas and Dorothy Cummings Foundation Fund ⁷	-	50,000
Henry David International Travel Fund ⁸	48,993	88,213
Division 16 Paul Henkin Memorial Fund ⁹	34,567	60,598
Division 17 Counseling Psychology Fund ¹⁰	93,528	152,561
Division 29 Psychotherapy Fund ¹¹	36,446	64,354
Division 37 Fund ¹²	26,650	-
Robert L. Fantz Memorial Fund ¹³	36,493	65,401
Violet and Cyril Franks Fund ¹⁴	65,678	118,618
Randy Gerson Memorial Fund ¹⁵	38,548	66,169
Joseph Gittler Fund ¹⁶	142,865	258,621
Jacquelin Goldman Fund ¹⁷	1,477,711	-
Alexander Gralnick Research Fund ¹⁸	105,168	202,764
Lee Gurel Fund ¹⁹	16,982	29,497
Todd E. Husted Memorial Fund ²⁰	1,652	3,904
IUPsyS Fund ²¹	39,503	16,964
Timothy Jeffrey Memorial Fund ²²	9,003	18,261
Elizabeth Munsterberg Koppitz Fund ²³	2,759,085	4,974,063
Harry Levinson Fund ²⁴	-	88,877
F.J. McGuigan Research Fund ²⁵	226,869	420,576
Pearsall Fund ²⁶	77,745	-
Lizette Peterson-Homer Memorial Fund ²⁷	47,981	83,450
Wayne F. Placek Fund ²⁸	130,499	352,666
Esther Katz Rosen Fund ²⁹	1,574,297	2,842,940
Royce Scrivner Fund ³⁰	247,742	442,863
Charles Spielberger Fund ³¹	15,742	29,132
Arthur W. Staats Fund ³²	14,458	26,096
TOPSS Fund ³³	64,787	117,209
Ungerleider/Zimbardo Fund ³⁴	25,000	-
Lynn Stuart Weiss Fund ³⁵	31,879	56,033
Rosalee G. Weiss Fund ³⁶	32,123	56,902
Rosalee and Raymond Weiss Research Fund ³⁷	32,683	61,494
Net assets with donor restrictions	7,842,511	11,409,166
Net assets with time restrictions ³⁸	532,583	507,018
Total temporarily restricted net assets	\$ 8,375,094	\$ 11,916,184

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

5. Temporarily Restricted Net Assets (continued)

¹The Benton-Meier Fund supports scholarships in the area of neuropsychology. In 2005, the APF trustees, at the request of the donors, combined APF's three neuropsychology funds (the Benton Fund, Meier Fund, and Hecaen Fund) into one fund, to be known as the Benton-Meier Fund.

²The William Bevan Fund sponsors annual lectures at the APA Convention to promote the advancement of psychology as it relates to public policy.

³The Theodore H. Blau Fund was established to support the Theodore H. Blau Early Career Award for Outstanding Contribution to Professional Clinical Psychology (the "Award") and recognizes a clinical psychologist who has made an outstanding contribution to the profession of clinical psychology within ten (10) years of receiving his or her doctorate;

⁴The Dorothy W. Cantor Fund was established to support innovative research and programs on understanding the connection between mental and physical health.

⁵The Mamie P. and Kenneth B. Clark Fund was established to support research projects to increase the understanding of developmental processes, determinants and cultural factors that influence achievements of children and their sense of well-being.

⁶The Frances M. Culbertson Fund was established to support international travel and APA affiliate membership for women in the early stages of their careers who live in developing countries.

⁷The Nicholas and Dorothy Cummings Foundation Fund supports an annual \$50,000 prize for a psychologist working in a comprehensive primary care setting and functioning as a behavioral care provider working side-by-side with primary care physicians.

⁸The Henry David International Travel Fund supports two annual grants for psychologists with a demonstrated interest in human reproductive behavior or in an area related to population concerns.

⁹The Division 16 Paul Henkin Memorial Fund supports an annual grant for student members of APA Division 16 (School Psychology) to attend the annual APA convention.

¹⁰The Division 17 Counseling Psychology Fund supports grants that are for scientific, literary, or educational purposes that advance the science and the practice of counseling psychology.

¹¹The Division 29 Early Career Award Fund was established to provide an early career award to a deserving psychotherapist member of APA.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

5. Temporarily Restricted Net Assets (continued)

¹²The Division 37 Fund supports the APF/Division 37 Diane J. Willis Early Career Award, a \$2,000 early career award for a talented young psychologists identified as making contributions to informing, advocating for, and improving the mental health and well-being of children and families particularly through policy.

¹³The Robert L. Fantz Memorial Fund encourages and supports the careers of promising young psychologists with an award given to cover equipment and other costs related to the awardee's research.

¹⁴The Violet and Cyril Franks Fund was established to support graduate students scholarships for projects with a psychological perspective on the stigma of mental illness.

¹⁵The Randy Gerson Memorial Fund supports grants for research that advance the understanding of couple, family and multigenerational dynamics.

¹⁶The Joseph Gittler Fund supports an annual grant for the most scholarly contribution in the area of philosophical foundations of psychological knowledge.

¹⁷The Jacquelin Goldman Fund supports a Congressional Fellow for postdoctoral psychologists trained in developmental and/or clinical psychology who would want to apply their psychological knowledge to public policies, especially those policies affecting the psychological development of children.

¹⁸The Alexander Gralnick Research Fund supports a biennial prize for exceptional research and mentoring accomplishments in the area of schizophrenia and other serious mental illness.

¹⁹The Lee Gurel Fund was established to build and maintain a computer learning center in the APA library.

²⁰The Todd E. Husted Memorial Fund provides an annual dissertation award recognizing research with the potential to contribute toward the development and improvement of mental health services for those with severe and persistent mental illness.

²¹The IUPsyS Fund was established to support the educational, development, and programmatic activities of the International Union of Psychological Science.

²²The Timothy Jeffrey Memorial Fund honors outstanding contributions in the field of clinical health psychology through an annual award.

²³The Elizabeth Munsterberg Koppitz Fund supports graduate fellowships and travel stipends for students for professional conferences in child psychology.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

5. Temporarily Restricted Net Assets (continued)

²⁴The Harry Levinson Fund provides an annual award to an APA member who has clearly contributed to the integration of psychological concepts into applications for industry in order to create effective, healthy, and humane organizations. During the year ended December 31, 2008, the donor reclassified these funds for unrestricted use by the Foundation and the temporarily restricted net assets were released.

²⁵The F.J. McGuigan Research Fund supports annual lectures at the APA Convention on understanding the human mind as well as a biennial prize to young early career researchers working in this field.

²⁶The Pearsall Fund will support work to help eradicate the stigma and discrimination people with physical disabilities face.

²⁷The Lizette Peterson-Homer Memorial Injury Research Fund provides annual grants for psychosocial research on injuries to children and young adults through accidents, violence, abuse, or suicide and other areas within pediatric psychology.

²⁸The Wayne F. Placek Fund supports research grants to advance the goals of increasing the public's understanding of gay men and lesbians and to reduce their stress in this and future generations.

²⁹ The Esther Katz Rosen Fund promotes the advancement and application of knowledge about gifted children through supporting research, scholarships, and lectures.

³⁰The Royce Scrivner Fund supports research on gay and lesbian family psychology and family therapy.

³¹The Charles Spielberger Fund sponsors an annual symposium on emotion, motivation and personality to stimulate an integration of theory and research findings and productive interaction among researchers in these related fields.

³²The Arthur W. Staats Fund supports an annual lecture at the APA Convention, by an individual whose work in a particular subfield of psychology is judged to have great significance for other subfields or that has the potential to unify psychology as a whole.

³³The TOPSS Fund supports the advancement and facilitation of teaching pre-collegiate psychology.

³⁴The Ungerleider/Zimbardo Fund supports seven travel scholarships per year for a period of ten years to enable students whose papers have been accepted for presentation at the American Psychological Association convention to attend the convention.

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

5. Temporarily Restricted Net Assets (continued)

³⁵The Lynn Stuart Weiss Fund supports a lecture that promotes psychology as a means of attaining peace through world law.

³⁶The Rosalee G. Weiss Fund supports an annual lecture at the APA Convention by a speaker, from either psychology or the arts and sciences, whose work has made significant contribution to psychology as a whole, particularly in the areas of psychotherapy and independent practice.

³⁷The Rosalee and Raymond Weiss Research and Program Innovation Fund supports an annual grant reflecting innovative psychological research or new applications of established research in practical contexts.

³⁸Net Assets with Time Restrictions are predominantly pledges receivable. The largest components are comprised of amounts due from David and Carol Myers²¹, the Cummings Foundation⁷, the Spielberg²⁹ Trust (Note 3), Trammel Crow Services (now CBRE), Violet and Cyril Franks¹³, Raymond & Rosalee Weiss³⁴, Theodore and Renee Millon and various other individuals.

6. Net assets released from restrictions

During 2008 and 2007, the following expenses were incurred once the time restrictions and/or purpose of donor-imposed restrictions on contributions were met. Accordingly, the related temporarily restricted net assets were reclassified as unrestricted net assets in the accompanying statements of activities.

<u>Grant and award expenses</u>	<u>2008</u>	<u>2007</u>
Prizes and awards	\$ 110,000	\$ 111,000
Lectures	6,500	9,070
Scholarships and fellowships	240,779	180,439
Research/other grants	224,020	395,596
Gifted Children Project – Rosen Fund	3,540	5,619
Subtotal	<u>584,839</u>	<u>701,724</u>
<u>Operational expenses and release from time restrictions</u>		
Learning Center (APA Library)	-	8,190
APA intercompany expenses	338,889	293,357
Committee/other programs – Placek Fund	-	11,203
Asset management fees	39,862	51,807
Consulting/contractual services	6,680	5,089
Other expenses and release from time restrictions	340,138	190,224
Subtotal	<u>725,569</u>	<u>559,870</u>
Total net assets released from restrictions	<u>\$ 1,310,408</u>	<u>\$ 1,261,594</u>

AMERICAN PSYCHOLOGICAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

6. Net assets released from restrictions(continued)

In 2008 and 2007, the Foundation reclassified \$52,645 and \$61,053, respectively, of prior year contributions from unrestricted net assets to temporarily restricted net assets pursuant to the donor's current year restriction of these contributions.

7. Related-party transactions

The Foundation reimburses APA for certain expenses paid by APA on behalf of the Foundation. These amounts consist primarily of direct salaries and other general and administrative expenses of the Foundation. During 2008 and 2007, APA incurred \$460,260 and \$388,986, respectively, of reimbursable expenses on behalf of the Foundation. In addition, the Foundation receives an annual contribution from APA. The contribution was \$112,841 in 2008 and \$100,800 in 2007 and is included in unrestricted contributions in the accompanying statements of activities. In 2008 and 2007, the Foundation used office space provided by APA at no charge.

As of December 31, 2008 and 2007, the balance of accounts payable due to APA from the Foundation was \$5,972 and \$132,102, respectively.

8. Fair Value Measurements

The Foundation adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157) for financial assets (and liabilities) measured on a recurring basis, effective January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FAS 157 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FAS 157 are described as follows:

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8. Fair Value Measurements (continued)

Level 1-inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2-inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3-unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes the Foundation's assets (and liabilities) measured at fair value on a recurring basis as of December 31, 2008:

	Fair Value	Level 1 Inputs	Level 3 Inputs
Investment in common stock	\$ 3,744,628	\$ 3,744,628	\$ -
Mutual fund investment (stock)	2,743,079	2,743,079	-
Mutual fund investments (bonds)	1,867,492	1,867,492	-
Contribution receivable-trust	45,961	-	45,961
Total fair value of financial assets	\$ 8,401,160	\$ 8,355,199	\$ 45,961

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of December 31, 2008, is as follows:

January 1, 2008 balance	\$ 82,191
Total unrealized loss included in change in net assets	(36,230)
December 31, 2008 balance	\$ 45,961

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9. Income Taxes

The Foundation is exempt from the payment of taxes on income other than net unrelated business income taxes under Section 501(c)(3) of the Internal Revenue Code. For the year ended December 31, 2008, no provision for income taxes was made as the Foundation had no net unrelated business income.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN-48-3, *Effective Date of FASB Interpretation No.48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of Interpretation 48 for the year ended December 31, 2008. The Foundation evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2008 and 2007, there are no liabilities for uncertain tax positions.

10. Subsequent Event

Subsequent to December 31, 2008, continued volatility and declines in the financial and credit markets, both U.S. and internationally, have affected the assets of the Foundation. Specifically, the fair value of investments held by the Foundation at December 31, 2008 has further declined. Management continues to closely monitor related events and make appropriate adjustments, if any, to its investment portfolio.

11. Reclassification

Certain amounts for 2007 have been reclassified to conform to the 2008 presentation.