

**ILLINOIS CHAPTER OF AMERICAN
ACADEMY OF PEDIATRICS
Chicago, Illinois**

**FINANCIAL STATEMENTS
June 30, 2014 and 2013**



CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Illinois Chapter of American Academy of Pediatrics
Chicago, Illinois

We have audited the accompanying statement of financial position of Illinois Chapter of American Academy of Pediatrics (the "Chapter") as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chapter as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Chapter as of June 30, 2013 were audited by other auditors whose report dated December 18, 2013 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015 on our consideration of the Chapter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chapter's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
May 26, 2015

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 374,074	\$ 85,579
Grants receivable	772,269	984,841
Prepaid expenses and other current assets	<u>8,495</u>	<u>10,580</u>
Total current assets	<u>1,154,838</u>	<u>1,081,000</u>
PROPERTY AND EQUIPMENT	159,743	159,743
Less accumulated depreciation	<u>140,557</u>	<u>114,572</u>
Net property and equipment	<u>19,186</u>	<u>45,171</u>
OTHER ASSETS , security deposit	<u>7,333</u>	<u>13,333</u>
TOTAL ASSETS	<u>\$ 1,181,357</u>	<u>\$ 1,139,504</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 57,635	\$ 61,572
Capital lease obligation, current portion	350	4,200
Line of credit	100,000	-
Deferred revenue	44,220	76,896
Deferred lease incentive	<u>-</u>	<u>14,583</u>
Total current liabilities	<u>202,205</u>	<u>157,251</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	-	350
Deferred rent	<u>8,471</u>	<u>13,091</u>
Total long-term liabilities	<u>8,471</u>	<u>13,441</u>
Total liabilities	<u>210,676</u>	<u>170,692</u>
NET ASSETS		
Unrestricted	306,199	448,886
Temporarily restricted	<u>664,482</u>	<u>519,926</u>
Total net assets	<u>970,681</u>	<u>968,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,181,357</u>	<u>\$ 1,139,504</u>

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

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2014 and 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Government grants	\$ 1,296,599	\$ -	\$ 1,296,599
Foundation grants	36,358	719,265	755,623
Membership dues	122,695	-	122,695
Contributions	33,012	-	33,012
In-kind contributions	14,583	-	14,583
Exhibitor fees	44,965	-	44,965
Registration fees	52,262	-	52,262
Interest and miscellaneous income	16,248	-	16,248
Net assets released from restrictions	<u>574,709</u>	<u>(574,709)</u>	<u>-</u>
Total revenue, gains, and other support	<u>2,191,431</u>	<u>144,556</u>	<u>2,335,987</u>
EXPENSES			
Program services	2,108,539	-	2,108,539
Management and general	210,426	-	210,426
Fundraising	<u>15,153</u>	<u>-</u>	<u>15,153</u>
Total expenses	<u>2,334,118</u>	<u>-</u>	<u>2,334,118</u>
CHANGE IN NET ASSETS	(142,687)	144,556	1,869
NET ASSETS, BEGINNING OF YEAR	<u>448,886</u>	<u>519,926</u>	<u>968,812</u>
NET ASSETS, END OF YEAR	<u>\$ 306,199</u>	<u>\$ 664,482</u>	<u>\$ 970,681</u>

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Government grants	\$ 1,028,603	\$ 184,763	\$ 1,213,366
Foundation grants	4,000	446,194	450,194
Membership dues	134,590	-	134,590
Contributions	33,222	-	33,222
In-kind contributions	17,500	-	17,500
Exhibitor fees	31,035	-	31,035
Registration fees	28,594	-	28,594
Interest and miscellaneous income	21,204	-	21,204
Net assets released from restrictions	749,124	(749,124)	-
Total revenue, gains, and other support	<u>2,047,872</u>	<u>(118,167)</u>	<u>1,929,705</u>
EXPENSES			
Program services	2,006,591	-	2,006,591
Management and general	208,421	-	208,421
Fundraising	17,661	-	17,661
Total expenses	<u>2,232,673</u>	<u>-</u>	<u>2,232,673</u>
CHANGE IN NET ASSETS	(184,801)	(118,167)	(302,968)
NET ASSETS, BEGINNING OF YEAR	<u>633,687</u>	<u>638,093</u>	<u>1,271,780</u>
NET ASSETS, END OF YEAR	<u>\$ 448,886</u>	<u>\$ 519,926</u>	<u>\$ 968,812</u>

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

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 1,176,426	\$ 94,981	\$ 13,270	\$ 1,284,677
Payroll taxes	76,779	6,022	908	83,709
Bank fees	304	367	-	671
Books	16,980	-	-	16,980
Computer and software	31,402	6,970	-	38,372
Consulting and professional fees	336,756	10,088	-	346,844
Depreciation	-	25,985	-	25,985
Equipment lease and repair	25,194	-	-	25,194
Government affairs and advocacy	825	27,500	-	28,325
Grant subcontracts	50,883	473	-	51,356
Insurance	4,899	95	-	4,994
Interest	662	1,660	-	2,322
Memberships and registration fees	21,784	2,230	-	24,014
Miscellaneous	1,673	1,675	686	4,034
Office supplies	18,136	3,429	189	21,754
Payroll service	21,250	1,787	-	23,037
Photocopies	7,959	949	92	9,000
Postage	8,627	1,234	8	9,869
Printing	31,953	6,835	-	38,788
Professional development	5,362	738	-	6,100
Publications	6,028	680	-	6,708
Rent expense	75,724	4,963	-	80,687
Speaker fees	44,235	-	-	44,235
Stipends	5,834	50	-	5,884
Telephone	17,241	1,632	-	18,873
Travel and meals	110,826	8,829	-	119,655
Utilities	9,429	1,254	-	10,683
Varnish supplies	1,368	-	-	1,368
TOTAL FUNCTIONAL EXPENSES	\$ 2,108,539	\$ 210,426	\$ 15,153	\$ 2,334,118

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

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 1,250,853	\$ 84,084	\$ 15,826	\$ 1,350,763
Payroll taxes	78,843	6,105	953	85,901
Bank fees	938	3,187	501	4,626
Books	11,283	-	-	11,283
Computer and software	31,124	6,974	-	38,098
Consulting and professional fees	163,483	15,578	-	179,061
Depreciation	-	28,592	-	28,592
Equipment lease and repair	16,680	100	-	16,780
Government affairs and advocacy	-	30,000	-	30,000
Grant subcontracts	33,622	21	-	33,643
Insurance	4,797	498	-	5,295
Interest	-	667	-	667
Memberships and registration fees	18,057	7,581	-	25,638
Miscellaneous	150	1,877	-	2,027
Office supplies	28,146	2,495	-	30,641
Payroll service	21,937	2,195	-	24,132
Photocopies	8,288	-	-	8,288
Postage	12,490	638	225	13,353
Printing	52,976	1,709	-	54,685
Professional development	9,818	1,135	-	10,953
Publications	17,034	272	-	17,306
Rent expense	82,216	-	-	82,216
Speaker fees	33,109	-	-	33,109
Stipends	5,027	-	-	5,027
Telephone	18,751	1,151	-	19,902
Travel and meals	85,297	13,259	156	98,712
Utilities	12,099	303	-	12,402
Varnish supplies	9,573	-	-	9,573
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,006,591</u>	<u>\$ 208,421</u>	<u>\$ 17,661</u>	<u>\$ 2,232,673</u>

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

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,869	\$ (302,968)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,985	28,592
Loss on sale of property and equipment	-	1,432
Effects of changes in operating assets and liabilities:		
Accounts receivable	212,572	286,025
Prepaid expenses and other assets	8,085	(1,448)
Accounts payable	(3,937)	(39,918)
Accrued expenses and other liabilities	<u>(51,879)</u>	<u>44,533</u>
Net cash provided by operating activities	<u>192,695</u>	<u>16,248</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(4,200)	(4,200)
Net borrowings on line of credit	<u>100,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>95,800</u>	<u>(4,200)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 288,495	 12,048
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>85,579</u>	 <u>73,531</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 374,074</u>	 <u>\$ 85,579</u>

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

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Illinois Chapter of American Academy of Pediatrics (the "Chapter") was incorporated in the state of Illinois on June 18, 1975 as a nonprofit corporation. The Chapter was organized to promote the attainment by all children of Illinois of their full potential for physical, emotional, and social health. The Chapter, a member organization of the American Academy of Pediatrics (AAP), provides educational programs, communications, and limited advocacy for Illinois pediatricians. The primary sources of revenue consist of program and project grants and membership dues. The Chapter's fiscal year ends on June 30.

Significant accounting policies followed by the Chapter are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires the Chapter to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Chapter's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Chapter follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, *Not-For-Profit Entities - Presentation of Financial Statements*. Under ASC No. 958-205, the Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets defined as follows:

Unrestricted Net Assets - Those resources over which the board of directors (board) has discretionary control.

Temporarily Restricted Net Assets - Those resources subject to donor-imposed stipulations that may be fulfilled by actions of the board of directors to meet the stipulations, or become unrestricted at the date specified by the donor. When a donor or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as "Net assets released from restrictions".

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets - Those resources subject to donor-imposed stipulations that they be maintained permanently by the Chapter. The Chapter had no permanently restricted net assets as of June 30, 2014 or 2013.

Cash Equivalents

The Chapter considers all liquid investments with a maturity of three months or less to be used for operating purposes when purchased, to be cash equivalents.

Allowance for Uncollectible Accounts

Grants receivable are shown net of the allowance for doubtful amounts. After review of the receivables, no provision for uncollectible accounts was deemed necessary by management as of June 30, 2014 and 2013.

Property and Equipment

Property and equipment are recorded at cost when purchased. The Chapter capitalizes all property and equipment purchases in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Office furniture and equipment	10
Computer equipment	5
Leasehold improvements	5

Impairment of Long-Lived Assets

The Chapter reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by donors. Amounts received that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restriction. Temporarily restricted contributions, whereby restrictions are met in the same year as received, are reported as unrestricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities and Changes in Net Assets as "Net assets released from restrictions".

Membership Dues

Member dues are recognized over the membership period. Membership dues received in advance are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and categorized on the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on hours incurred and labor dollars by the various services.

Income Taxes

The Chapter is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Chapter qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Chapter evaluates its exposure for uncertain tax positions on an annual basis. As of June 30, 2014 and 2013, there were no liabilities related to uncertain tax positions.

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - LEASES

Operating Leases

The Chapter leases its office facility under a lease that has monthly lease payments ranging from \$7,092 to \$7,526 through April 2016. The Chapter leases certain office equipment requiring monthly lease payments of \$300 through September 2017. The Chapter also entered into a lease for the use of a computer network server and management of its information technology operations, requiring monthly payments of \$2,694 through February 2015. Future minimum rental payments under existing lease agreements are summarized as follows:

2015	\$ 115,008
2016	78,864
2017	3,600
2018	<u>900</u>
Total	<u>\$ 198,372</u>

For the years ended June 30, 2014 and 2013, net rent expense was \$80,687 and \$82,216, respectively.

Capital Leases

The Chapter leases certain office equipment under a capital lease arrangement that expires in July 2014. At June 30, 2014, the present value of future minimum lease payments is \$350.

NOTE 3 - DEFERRED LEASE INCENTIVE

In May 2009, the Chapter incurred \$87,500 of leasehold improvements to occupy its new rental space in Chicago. The landlord agreed to pay this build-out cost as stipulated in the rental agreement, and the Chapter recognizes the benefit as in-kind revenue on a straight-line basis. In addition to capitalizing the cost of the improvements, the Chapter capitalized the incentive liability to match the recognition of revenue with the expense.

The lease incentive is amortized over the life of the lease using the straight-line method. At June 30, 2014 and 2013, the remaining deferred lease incentive balance was \$0 and \$14,583, respectively.

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Illinois Department of Healthcare and Family Services	\$ -	\$ 150,000
Otho S.A. Sprague Memorial Institute	303,586	-
Chicago Department of Public Health	142,703	75,921
Health Management Associates	120,000	225,000
Advocate Health Care	-	169,052
DentaQuest	-	100,000
Others	<u>205,980</u>	<u>264,868</u>
Total grants receivable	<u>\$ 772,269</u>	<u>\$ 984,841</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Computers and equipment	\$ 48,935	\$ 48,935
Furniture and fixtures	23,308	23,308.00
Leasehold improvements	<u>87,500</u>	<u>87,500</u>
Total	159,743	159,743
Less accumulated depreciation	<u>140,557</u>	<u>114,572</u>
Property and equipment, net	<u>\$ 19,186</u>	<u>\$ 45,171</u>

NOTE 6 - LINE OF CREDIT

The Chapter is party to an agreement with South Central Bank that allows for borrowings of up to \$150,000. Any borrowings bear interest at the bank's prime rate plus 1%, but not lower than 5%, and are secured by the assets of the Chapter. The bank's prime rate as of June 30, 2014 and 2013 was 3.25%. As of June 30, 2014 and 2013, \$100,000 and \$0 was outstanding on the line of credit, respectively. The agreement has been renewed through June 2015.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Advances on government contracts	\$ -	\$ 13,000
Membership dues	44,220	37,700
Exhibitor fees	-	26,196
	<hr/>	<hr/>
Total deferred revenue	\$ 44,220	\$ 76,896

NOTE 8 - RETIREMENT PLAN

The Chapter maintains a tax-deferred compensation plan for the benefit of its eligible employees. Participation by eligible employees is voluntary, and the Chapter matches an amount equal to 50% of the elective deferral up to 4% of an individual's compensation. During the years ended June 30, 2014 and 2013, the Chapter paid \$20,183 and \$20,692, respectively, of retirement plan expenses, which is allocated among program services, management and general expense, and fundraising expense.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Obesity	\$ 374,722	\$ 171,950
Youth Transitions	17,980	49,447
Enhancing Developmentally Oriented Primary Care	14,551	158,195
Oral Health	132,869	92,558
Medical Home	68,657	47,776
Bright Futures	3,066	-
Early Childhood Policy	13,821	-
Literacy Promotion	38,816	-
	<hr/>	<hr/>
Total temporarily restricted net assets	\$ 664,482	\$ 519,926

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 10 - SUBSEQUENT EVENTS

Management evaluated subsequent events through May 26, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to May 26, 2015 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2014. Management has determined there were no events or transactions which would require disclosure in the financial statements either individually or in the aggregate for the year ended June 30, 2014.

This information is an integral part of the accompanying financial statements.