

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

**FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**



CliftonLarsonAllen

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
 Notes to Financial Statements	 9

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Illinois Chapter of American Academy of Pediatrics (the "Chapter") as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016 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
March 1, 2016

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 153,530	\$ 374,074
Grants receivable	1,153,531	772,269
Prepaid expenses and other current assets	<u>42,162</u>	<u>8,495</u>
Total current assets	<u>1,349,223</u>	<u>1,154,838</u>
LONG-TERM PORTION OF GRANTS RECEIVABLE, net	<u>982,002</u>	<u>-</u>
PROPERTY AND EQUIPMENT	166,815	159,743
Less accumulated depreciation	<u>147,706</u>	<u>140,557</u>
Net property and equipment	<u>19,109</u>	<u>19,186</u>
OTHER ASSETS, security deposit	<u>7,333</u>	<u>7,333</u>
TOTAL ASSETS	<u>\$ 2,357,667</u>	<u>\$ 1,181,357</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 49,035	\$ 57,635
Capital lease obligation, current portion	-	350
Line of credit	-	100,000
Deferred revenue	<u>114,230</u>	<u>44,220</u>
Total current liabilities	<u>163,265</u>	<u>202,205</u>
LONG-TERM LIABILITIES		
Deferred rent	<u>3,851</u>	<u>8,471</u>
Total long-term liabilities	<u>3,851</u>	<u>8,471</u>
Total liabilities	<u>167,116</u>	<u>210,676</u>
NET ASSETS		
Unrestricted	195,657	306,199
Temporarily restricted	<u>1,994,894</u>	<u>664,482</u>
Total net assets	<u>2,190,551</u>	<u>970,681</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,357,667</u>	<u>\$ 1,181,357</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
For the Years Ended June, 30, 2015 and 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Government grants	\$ 903,393	\$ -	\$ 903,393
Foundation grants	96,582	1,825,936	1,922,518
Membership dues	161,429	-	161,429
Contributions	46,231	-	46,231
In-kind contributions	-	-	-
Exhibitor fees	34,745	-	34,745
Registration fees	32,818	-	32,818
Interest and miscellaneous income	67,067	-	67,067
Net assets released from restrictions	<u>495,524</u>	<u>(495,524)</u>	<u>-</u>
Total revenue, gains, and other support	<u>1,837,789</u>	<u>1,330,412</u>	<u>3,168,201</u>
EXPENSES			
Program services	1,773,612	-	1,773,612
Management and general	162,372	-	162,372
Fundraising	<u>12,347</u>	<u>-</u>	<u>12,347</u>
Total expenses	<u>1,948,331</u>	<u>-</u>	<u>1,948,331</u>
CHANGE IN NET ASSETS	(110,542)	1,330,412	1,219,870
NET ASSETS, BEGINNING OF YEAR	<u>306,199</u>	<u>664,482</u>	<u>970,681</u>
NET ASSETS, END OF YEAR	<u>\$ 195,657</u>	<u>\$ 1,994,894</u>	<u>\$ 2,190,551</u>

	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>

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

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries, wages, and benefits	\$ 1,016,552	\$ 75,950	\$ 10,310	\$ 1,102,812
Payroll taxes	67,844	4,482	738	73,064
Bank fees	-	891	-	891
Books	23,184	-	-	23,184
Computer and software	54,506	5,946	-	60,452
Consulting and professional fees	130,242	19,371	-	149,613
Depreciation	6,890	259	-	7,149
Equipment lease and repair	38,504	132	-	38,636
Government affairs and advocacy	-	25,000	-	25,000
Grant subcontracts	4,801	-	-	4,801
Insurance	4,455	279	-	4,734
Interest	-	3,738	-	3,738
Memberships and registration fees	17,389	2,882	-	20,271
Miscellaneous	14,168	1,247	719	16,134
Office supplies	24,231	3,584	-	27,815
Payroll service	19,964	1,509	-	21,473
Photocopies	6,981	590	19	7,590
Postage	6,179	339	561	7,079
Printing	84,834	1,876	-	86,710
Professional development	2,650	199	-	2,849
Publications	1,025	110	-	1,135
Rent expense	71,262	5,129	-	76,391
Speaker fees	49,923	-	-	49,923
Stipends	1,859	-	-	1,859
Telephone	16,681	1,399	-	18,080
Travel and meals	98,318	6,106	-	104,424
Utilities	9,720	1,354	-	11,074
Varnish supplies	1,450	-	-	1,450
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,773,612</u>	<u>\$ 162,372</u>	<u>\$ 12,347</u>	<u>\$ 1,948,331</u>

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

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

	Program Services	Management and General	Fundraising	Total
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
STATEMENTS OF CASH FLOWS
For the Years Ended June, 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,219,870	\$ 1,869
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,149	25,985
Effects of changes in operating assets and liabilities:		
Grants receivable	(1,363,264)	212,572
Prepaid expenses and other assets	(33,667)	8,085
Accounts payable	(8,600)	(3,937)
Accrued expenses and other liabilities	65,390	(51,879)
	(113,122)	192,695
Net cash provided by (used in) operating activities		
	(113,122)	192,695
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,072)	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(350)	(4,200)
Net borrowings (repayments) on line of credit	(100,000)	100,000
	(100,350)	95,800
Net cash provided by (used in) financing activities		
	(100,350)	95,800
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(213,472)	288,495
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	374,074	85,579
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 153,530	\$ 374,074

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

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014.

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, 2015 and 2014.

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, 2015 and 2014

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 Statements 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, 2015 and 2014, there were no liabilities related to uncertain tax positions.

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - LEASES

Operating Leases

The Chapter leases its office facility under a lease that has monthly lease payments ranging from \$9,752 to \$10,345 through April 2019. In addition, the Chapter is required to pay its proportionate share of building operating expenses. The Chapter also leases certain office equipment requiring monthly lease payments of \$300 through September 2018. Future minimum rental payments under existing lease agreements are summarized as follows:

2016	\$ 98,367
2017	121,203
2018	124,731
2019	<u>104,355</u>
Total	<u>\$ 448,656</u>

For the years ended June 30, 2015 and 2014, net rent expense was \$76,391 and \$80,687, respectively.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Illinois Department of Healthcare and Family Services	\$ 150,000	\$ -
Charles Marks, Jr. Charitable Trust	1,504,050	-
Otho S.A. Sprague Memorial Institute	203,586	303,586
Chicago Department of Public Health	70,527	142,703
Health Management Associates	8,750	120,000
Others	<u>229,602</u>	<u>205,980</u>
Total grants receivable	2,166,515	772,269
Less discount to net present value	<u>(30,982)</u>	<u>-</u>
Net grants receivable	2,135,533	772,269
Less current portion	<u>1,153,531</u>	<u>772,269</u>
Long-term portion	<u>\$ 982,002</u>	<u>\$ -</u>

Long-term grants receivable have been discounted to present value utilizing a rate of 2.1%. They are receivable in less than five years.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Computers and equipment	\$ 56,007	\$ 48,935
Furniture and fixtures	23,308	23,308
Leasehold improvements	<u>87,500</u>	<u>87,500</u>
Total	166,815	159,743
Less accumulated depreciation	<u>147,706</u>	<u>140,557</u>
Property and equipment, net	<u>\$ 19,109</u>	<u>\$ 19,186</u>

NOTE 5 - LINE OF CREDIT

The Chapter was party to an agreement with South Central Bank that allowed for borrowings of up to \$150,000. Any borrowings bore interest at the bank's prime rate plus 1%, but not lower than 5%, and were secured by the assets of the Chapter. The bank's prime rate as of June 30, 2015 and 2014 was 3.25%. At June 30, 2015 and 2014, \$0 and \$100,000 was outstanding on the line of credit, respectively. The agreement expired on July 1, 2015 and was not renewed.

NOTE 6 - DEFERRED REVENUE

Deferred revenue of \$114,230 and \$44,220 at June 30, 2015 and 2014, respectively, consisted of member dues received in advance of the membership period.

NOTE 7 - 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, 2015 and 2014, the Chapter paid \$15,682 and \$20,183, respectively, of retirement plan expenses, which is allocated among program services, management and general expense, and fundraising expense.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Obesity	\$ 345,124	\$ 374,722
TEAM QICME	720,700	-
TEAM Adolescent Pregnancy	752,368	-
Youth Transitions	8,399	17,980
Understanding Genetic Informaion in Private Care Practice	4,661	-
Enhancing Developmentally Oriented Primary Care	-	14,551
Oral Health	141,585	132,869
Medical Home	13,368	68,657
Bright Futures	2,494	3,066
Early Childhood Policy	4,413	13,821
Literacy Promotion	<u>1,782</u>	<u>38,816</u>
Total temporarily restricted net assets	<u>\$ 1,994,894</u>	<u>\$ 664,482</u>

NOTE 9 - SIGNIFICANT CONCENTRATIONS

Approximately 46% of the Chapter's revenues, gains, and other support for the year ended June 30, 2015 was provided by one grantor. There were no significant concentrations for the year ended June 30, 2014.

NOTE 10 - SUBSEQUENT EVENTS

Management evaluated subsequent events through March 1, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to March 1, 2016 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015. 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, 2015.

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