

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**



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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Illinois Chapter of American Academy of Pediatrics, which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Chapter of American Academy of Pediatrics as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Illinois Chapter of American Academy of Pediatrics and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023, Illinois Chapter of American Academy of Pediatrics adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Illinois Chapter of American Academy of Pediatrics' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Illinois Chapter of American Academy of Pediatrics' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Illinois Chapter of American Academy of Pediatrics' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of Illinois Chapter of American Academy of Pediatrics' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Illinois Chapter of American Academy of Pediatrics' 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 Illinois Chapter of American Academy of Pediatrics' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 26, 2024

ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,267,323
Grants Receivable	1,797,478	340,984
Membership and Other Receivables	56,919	77,532
Prepaid Expenses and Other Current Assets	21,744	14,266
Total Current Assets	1,876,141	1,700,105
PROPERTY AND EQUIPMENT		
Property and Equipment	45,127	27,665
Less: Accumulated Depreciation	14,290	15,067
Property and Equipment, Net	30,837	12,598
OTHER ASSETS		
Security Deposit	20,000	20,000
Right-of-Use Asset	95,312	-
Total Other Assets	115,312	20,000
Total Assets	\$ 2,022,290	\$ 1,732,703
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank Overdraft	\$ 124,495	\$ -
Accounts Payable and Accrued Expenses	271,465	395,865
Current Maturities of Equipment Loan	2,665	3,666
Deferred Rent	-	15,236
Deferred Membership Dues	204,283	202,228
Current Lease Liability	96,060	-
Other Deferred Revenue	15,974	348,069
Total Current Liabilities	714,942	965,064
LONG-TERM AND OTHER LIABILITIES		
Equipment Loan, Net of Current Maturities	-	1,441
Long-Term Lease Liability	8,203	-
Total Long-Term and Other Liabilities	8,203	1,441
Total Liabilities	723,145	966,505
NET ASSETS		
Without Donor Restrictions	940,423	591,113
With Donor Restrictions	358,722	175,085
Total Net Assets	1,299,145	766,198
Total Liabilities and Net Assets	\$ 2,022,290	\$ 1,732,703

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Government Grants	\$ 3,621,245	\$ -	\$ 3,621,245
Foundation Grants	62,262	289,738	352,000
Membership Dues	279,433	-	279,433
Contributions	26,796	34,663	61,459
In-Kind Contribution	5,000	-	5,000
Exhibitor Fees	30,335	-	30,335
Registration Fees	13,050	-	13,050
Management Service Fees	197,557	-	197,557
Special Events	-	58,418	58,418
Interest and Miscellaneous Income	14,447	-	14,447
Net Assets Released from Restrictions	199,182	(199,182)	-
Total Revenue, Gains, and Other Support	<u>4,449,307</u>	<u>183,637</u>	<u>4,632,944</u>
EXPENSES			
Program Services	3,724,792	-	3,724,792
Management and General	303,544	-	303,544
Fundraising	71,661	-	71,661
Total Expenses	<u>4,099,997</u>	<u>-</u>	<u>4,099,997</u>
CHANGE IN NET ASSETS	349,310	183,637	532,947
Net Assets - Beginning of Year	<u>591,113</u>	<u>175,085</u>	<u>766,198</u>
NET ASSETS - END OF YEAR	<u><u>\$ 940,423</u></u>	<u><u>\$ 358,722</u></u>	<u><u>\$ 1,299,145</u></u>

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Government Grants	\$ 1,994,386	\$ -	\$ 1,994,386
Foundation Grants	50,470	129,030	179,500
Membership Dues	297,801	-	297,801
Contributions	96,914	-	96,914
Exhibitor Fees	7,050	-	7,050
Registration Fees	1,625	-	1,625
Management Service Fees	160,000	-	160,000
Special Events	14,855	-	14,855
Interest and Miscellaneous Income	176,367	-	176,367
Net Assets Released from Restrictions	47,989	(47,989)	-
Total Revenue, Gains, and Other Support	2,847,457	81,041	2,928,498
EXPENSES			
Program Services	2,242,430	-	2,242,430
Management and General	363,028	-	363,028
Fundraising	77,029	-	77,029
Total Expenses	2,682,487	-	2,682,487
CHANGE IN NET ASSETS	164,970	81,041	246,011
Net Assets - Beginning of Year	426,143	94,044	520,187
NET ASSETS - END OF YEAR	\$ 591,113	\$ 175,085	\$ 766,198

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Benefits	\$ 1,355,240	\$ 94,126	\$ 35,790	\$ 1,485,156
Payroll Taxes	86,319	4,583	2,185	93,087
Advertising and Marketing	1,844	-	-	1,844
Bank Fees	182	461	38	681
Reach out and Read Books	132,677	-	-	132,677
Computer and Software	100,409	7,586	3,500	111,495
Consulting and Professional Fees	349,516	54,042	1,760	405,318
Accounting Services	-	74,000	-	74,000
Depreciation	-	3,151	-	3,151
Equipment Lease and Repair	-	1,748	-	1,748
Government Affairs and Advocacy	36,409	-	-	36,409
Grant Subcontracts	1,017,280	-	-	1,017,280
Insurance	-	16,102	-	16,102
Interest	-	678	-	678
Memberships and Registration Fees	14,672	1,407	-	16,079
Miscellaneous	325	4,509	650	5,484
Supplies	21,156	331	2,036	23,523
Payroll Service	13,194	397	322	13,913
Photocopies	2,106	101	-	2,207
Postage	21,550	753	968	23,271
Printing and Graphic Design	70,194	175	1,690	72,059
Professional Development	5,859	1,931	-	7,790
Rent Expense	86,562	11,804	-	98,366
Speaker Fees	41,680	-	-	41,680
Stipends	312,270	-	-	312,270
Telephone	27,793	789	367	28,949
Travel and Meals	20,896	24,445	22,355	67,696
Maintenance	4,372	348	-	4,720
Utilities	2,287	77	-	2,364
Total Functional Expenses	\$ 3,724,792	\$ 303,544	\$ 71,661	\$ 4,099,997

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Benefits	\$ 776,438	\$ 162,628	\$ 67,771	\$ 1,006,837
Payroll Taxes	52,668	6,543	4,392	63,603
Bank Fees	-	506	12	518
Reach out and Read Books	56,188	-	-	56,188
Computer and Software	68,580	26,036	-	94,616
Consulting and Professional Fees	227,571	55,946	-	283,517
Accounting Services	-	60,000	-	60,000
Depreciation	-	3,828	-	3,828
Equipment Lease and Repair	1,227	-	-	1,227
Government Affairs and Advocacy	36,307	-	-	36,307
Grant Subcontracts	647,851	-	-	647,851
Insurance	-	13,274	-	13,274
Interest	-	666	-	666
Memberships and Registration Fees	4,031	2,728	-	6,759
Miscellaneous	13,712	-	87	13,799
Office Supplies	5,678	953	-	6,631
Payroll Service	12,793	1,237	-	14,030
Photocopies	3,594	1,014	-	4,608
Postage	10,218	1,780	1,582	13,580
Printing and Graphic Design	64,964	3,701	3,185	71,850
Professional Development	4,720	30	-	4,750
Publications	-	199	-	199
Rent Expense	78,630	10,722	-	89,352
Speaker Fees	33,225	-	-	33,225
Stipends	115,125	-	-	115,125
Telephone	12,493	7,073	-	19,566
Travel and Meals	11,184	2,356	-	13,540
Maintenance	3,702	1,378	-	5,080
Utilities	1,531	430	-	1,961
Total Functional Expenses	\$ 2,242,430	\$ 363,028	\$ 77,029	\$ 2,682,487

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 532,947	\$ 246,011
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,151	3,828
Paycheck Protection Program Loan Forgiveness	-	(160,700)
Noncash Lease Expense	(6,285)	-
Effects of Changes in Operating Assets and Liabilities:		
Grants Receivable	(1,435,881)	216,995
Prepaid Expenses and Other Assets	(7,478)	2,241
Bank Overdraft	124,495	-
Accounts Payable and Accrued Expenses	(124,400)	283,806
Deferred Revenue	(330,040)	323,304
Net Cash Provided (Used) by Operating Activities	(1,243,491)	915,485
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(21,390)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Equipment Loan	(2,442)	(4,266)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,267,323)	911,219
Cash and Cash Equivalents - Beginning of Year	1,267,323	356,104
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 1,267,323
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 678	\$ 666

See accompanying Notes to Financial Statements.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 and advocate for optimal child, youth and family well-being and access to quality healthcare while supporting members. 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

Net assets of the Chapter are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Chapter's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Net asset classifications are defined as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of directors (board) has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Chapter has no net assets with perpetual donor-imposed restrictions.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At times, the amounts in these accounts may exceed federally insured limits. However, the Chapter has not experienced any losses on these accounts and does not believe it is exposed to significant risk.

Allowance for Uncollectible Accounts

Grants receivable are shown net of an allowance for doubtful amounts. After review of the receivables, no provision for uncollectible accounts was deemed necessary by management as of June 30, 2023 and 2022.

Property and Equipment

Property and equipment are recorded at cost when purchased. The Chapter capitalizes all property and equipment purchases in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Office Furniture and Equipment	10 Years
Computer Equipment	5 Years
Leasehold Improvements	5 Years

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.

Revenue Recognition

Grants and Contributions

All grants and contributions are considered to be available for general use unless specifically restricted by donors. Amounts received that are restricted by the donor are reported as increases in net assets with donor restrictions. When such restrictions are met in the same year as received, the grant or contribution is reported as an increase in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and Contributions (Continued)

Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at June 30, 2023 and 2022, contributions approximating \$2,892,000 and \$4,006,000, respectively, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements because the conditions were not met. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Services, Materials, and Supplies

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Chapter. However, many individuals volunteer their time and perform a variety of tasks that assist the Chapter with specific assistance programs, campaign solicitations, and various committee assignments that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Donated materials and supplies are recorded at fair market value. For the years ended June 30, 2023 and 2022, the Chapter received \$5,000 and \$-0-, respectively, in donated services.

Member Dues

Member dues are on an anniversary-date basis. Performance obligations provided to members include access to continuing education at discounted rates, subscriptions to semi-annual newsletter and weekly e-newsletter, and access to volunteer and advocacy opportunities. Membership dues are recognized ratably over the periods to which the dues relate as the performance obligations to the member are evenly distributed throughout the year.

Sponsorships, Registration, and Exhibitor Fees

Annual conference registration, and booth space exhibit fees are recognized when the conference takes place. Sponsorship revenue is recognized when the sponsored events and activities take place.

Management Service Fees

Management service fees are recognized when services are provided.

Membership dues, sponsorship income, registration fees and exhibitor fees received in advance are recorded as deferred revenue. Management service fees are recognized when services are provided.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors revenue and a contribution element for the difference. The Chapter recognizes special events revenue equal to the fair value of direct benefits to donors when special events are recognized over time as the event is held. The Chapter recognizes the contribution element of special event revenue income immediately, unless there is a right of return of the event does not take place. All goods and services are transferred at point in time.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort. Other expenses that are allocated include professional fees, supplies, business expenses, facility expenses, and various other expenses which are allocated based on actual asset and expense usage.

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, 2023 and 2022, there were no liabilities related to uncertain tax positions.

Liquidity

As part of the Chapter's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other commitments come due with the goal of having cash on hand for 90 days of normal operating expenses, which are, on average, approximately \$275,000. Financial assets available at June 30 to meet cash needs within one year are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ -	\$ 1,267,323
Grants Receivable	1,797,478	340,984
Membership and Other Receivables	56,919	77,532
Subtotal	<u>1,854,397</u>	<u>1,685,839</u>
Less:		
Net Assets With Donor Restrictions	<u>358,722</u>	<u>175,085</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,495,675</u>	<u>\$ 1,510,754</u>

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Chapter leases office space and certain office equipment and determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liability in the statements of financial position.

ROU assets represent the Chapter's right to use an underlying asset for the lease term and lease liabilities represent the Chapter's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Chapter will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Chapter has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Chapter has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Topic 842 increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Chapter has adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this lease standard to the beginning of the period of adoption. The Chapter has elected to adopt the package of practical expedients available in the year of adoption. The Chapter has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Chapter's ROU assets as all leases impacted by Topic 842 commenced during 2023. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB *Accounting Standards Codification (ASC) 840*.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard (Continued)

The Chapter elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the Chapter elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient resulted in no changes to the existing lease terms. The Chapter evaluated their current operating requirements, which resulted in the determination that most renewal options would not be reasonably certain in determining the expected lease term.

**ILLINOIS CHAPTER OF AMERICAN ACADEMY OF PEDIATRICS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 LEASES

Operating Leases

The Chapter has a long-term, noncancellable lease commitment for office space that began May 1, 2019, and requires monthly payments ranging from \$7,480 to \$8,259 over the six-year lease term. 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 \$325 through 2025.

The following table provides quantitative information concerning the Chapter's leases:

Lease Costs	
Operating Lease Cost	\$ 89,403
Other Information	
Operating Cash Flows from Operating Leases	\$ 95,682
Right-of-Use Assets Obtained in Exchange for New Lease Liabilities	\$ 180,611
Weighted-Average Remaining Lease Term - Operating Leases	1.1 Years
Weighted-Average Discount Rate - Operating Leases	2.52%

The Chapter classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 97,552
2025	8,203
Undiscounted Cash Flows	105,755
Less: Imputed Interest	(1,492)
Total Lease Liabilities	<u>\$ 104,263</u>

The Chapter elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

At June 30, 2022, the Chapter had an of lease that expires in July 2024. The Chapter also had a copier lease that expires in February 2025. The future minimum lease payments at June 30, 2022 were approximately \$212,000.

On July 6, 2023, subsequent to year end, the Chapter renewed their office space lease commencing on August 1, 2024 and expiring on October 31, 2029. The lease renewal includes monthly payments ranging from \$8,726 to \$9,505 over the six-year lease term. In addition, the Chapter is required to pay its proportionate share of building operating expenses.

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NOTE 3 GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Illinois Department of Public Health	\$ 1,190,736	\$ 66,911
Ortho S.A. Sprague Memorial Institute	100,000	-
Chicago Department of Public Health	226,989	244,709
Cook County Department of Public Health	51,184	-
American Academy of Pediatrics	20,000	20,000
Illinois Public Health Institute	9,436	9,364
University of Illinois Chicago	149,133	-
Tri-Town YMCA	50,000	-
Total Grants Receivable	<u>\$ 1,797,478</u>	<u>\$ 340,984</u>

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Computers and Equipment	\$ 6,691	\$ 10,619
Furniture and Fixtures	17,046	17,046
Construction in Progress	21,390	-
Total	45,127	27,665
Less: Accumulated Depreciation	14,290	15,067
Property and Equipment, Net	<u>\$ 30,837</u>	<u>\$ 12,598</u>

NOTE 5 DEFERRED REVENUE

Deferred revenue of \$204,283, \$202,228, and \$230,377 at June 30, 2023, 2022, and 2021, respectively, consisted of member dues received in advance of the membership period. Other deferred revenue at June 30, 2023 of \$15,974 consists of registration fees received in advance. Other deferred revenue at June 30, 2022 of \$348,069 consisted of \$328,389 of grant funds received in advance and \$19,680 of sponsorships received in advance. There was no other deferred revenue at June 30, 2021.

NOTE 6 PROPERTY AND EQUIPMENT LOAN

During the year ended June 30, 2019, the Chapter acquired certain furniture and fixtures under a financing agreement that requires monthly payments of \$326 including interest at 6.98%. The balance due under the agreement at June 30, 2023 and 2022 is \$2,665 and \$5,107, respectively. The note matures in 2024.

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NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

On May 28, 2020, the Chapter received a loan from a bank in the amount of \$160,700 through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest was deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Chapter fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts were forgiven in accordance with the program on September 1, 2021, by the SBA and the revenue is included in interest and miscellaneous income on the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Chapter's financial position.

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, 2023 and 2022, the Chapter paid \$19,281 and \$14,570, respectively, of retirement plan expenses, which is allocated among program services, management and general expense, and fundraising expense.

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NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose (and Time)		
Food Insecurity	\$ 527	\$ 10,000
Collaborative on Child Homelessness	66,156	106,165
Early Childhood Policy	-	46,055
Early Childhood Collaborative (and Time)	50,000	-
Healthy People (and Time)	20,000	-
Project Firstline	-	10,000
Suicide Prevention	3,000	-
Improving Childhood Housing (and Time)	177,473	2,865
Reach Out and Read	41,566	-
Total Net Assets With Donor Restrictions	<u>\$ 358,722</u>	<u>\$ 175,085</u>

Net assets were released from donor restrictions when payments were made in satisfaction of the restrictions during the years ended June 30 as follows:

	<u>2023</u>	<u>2022</u>
Immunization	\$ -	\$ 9,869
Food Insecurity	10,000	-
Collaborative on Child Homelessness	40,009	-
Early Childhood Policy	46,055	28,945
Healthy People	-	2,675
Project Firstline	10,000	5,000
Breastfeeding	2,865	1,500
Reach Out and Read	90,253	-
Total Net Assets With Donor Restrictions	<u>\$ 199,182</u>	<u>\$ 47,989</u>

NOTE 10 REVENUE, CONTRACT ASSETS, AND LIABILITIES

The following table shows the Chapter's revenues from contracts with customers disaggregated according to the timing of the transfer of goods and services:

	<u>2023</u>	<u>2022</u>
Revenue Recognized Over Time		
Membership Dues	\$ 279,433	\$ 297,801
Exhibitor Fees	30,335	7,050
Registration Fees	13,050	1,625
Special Event	3,640	-
Management Service Fees	197,557	160,000
Total Revenue Recognized Over Time	<u>\$ 524,015</u>	<u>\$ 466,476</u>

The Chapter's contract liabilities at June 30, 2023 and 2022 consist of deferred member dues received in advance, grant funds received in advance, and sponsorships received in advance. See Note 5. The Chapter had no contract assets at June 30, 2023, 2022, or 2021.

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NOTE 11 SIGNIFICANT CONCENTRATIONS

The Chapter receives a substantial amount of its revenue from two funders. Funding received from these two funders was approximately 72% and 66% of total revenue for 2023 and 2022, respectively.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 26, 2024, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to March 26, 2024, that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, 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, 2023.



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