

**Child Health and Development
Institute of Connecticut, Inc.**

Financial Statements

September 30, 2012 and 2011

Child Health and Development Institute of Connecticut, Inc.

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Independent Auditors' Report

To the Board of Directors
Child Health and Development Institute of Connecticut, Inc.

We have audited the accompanying statements of financial position of Child Health and Development Institute of Connecticut, Inc. (the "Institute", a nonprofit entity controlled by The Children's Fund of Connecticut, Inc.) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. 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 of material misstatement. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Child Health and Development Institute of Connecticut, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013 on our consideration of Child Health and Development Institute of Connecticut, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Glastonbury, Connecticut
January 24, 2013

Child Health and Development Institute of Connecticut, Inc.

**Statements of Financial Position
September 30, 2012 and 2011**

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,209,428	\$ 724,196
Grants and contributions receivable, current portion	1,581,120	970,663
Other receivables	30,910	22,207
Prepaid expenses	5,027	4,371
Total current assets	<u>2,826,485</u>	<u>1,721,437</u>
Non-current assets:		
Furniture, equipment and leasehold improvements	146,262	105,269
Accumulated depreciation	<u>(94,072)</u>	<u>(80,822)</u>
Total furniture, equipment and leasehold improvements	<u>52,190</u>	<u>24,447</u>
Grants and contributions receivable, less current portion	53,120	263,000
Security deposit	<u>5,493</u>	<u>5,493</u>
Total non-current assets	<u>110,803</u>	<u>292,940</u>
Totals	<u>\$ 2,937,288</u>	<u>\$ 2,014,377</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 649,016	\$ 71,921
Deferred income	148,720	255,345
Grants payable	75,000	-
Accrued expenses	<u>146,125</u>	<u>95,466</u>
Total liabilities	<u>1,018,861</u>	<u>422,732</u>
Commitments		
Net assets:		
Unrestricted	311,366	294,356
Temporarily restricted	<u>1,607,061</u>	<u>1,297,289</u>
Total net assets	<u>1,918,427</u>	<u>1,591,645</u>
Totals	<u>\$ 2,937,288</u>	<u>\$ 2,014,377</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Activities
Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Operating support and revenue:		
Operating grants	\$ 1,822,044	\$ 1,383,766
Government grants	1,153,588	1,463,842
Contributions	6,982	3,845
Interest income	1,625	1,555
Net assets released from restrictions	<u>2,130,450</u>	<u>1,440,575</u>
Total operating support and revenue	<u>5,114,689</u>	<u>4,293,583</u>
Expenses:		
Program expenses	4,806,924	4,054,861
Management and general	<u>290,755</u>	<u>238,776</u>
Total expenses	<u>5,097,679</u>	<u>4,293,637</u>
Increase (decrease) in unrestricted net assets	<u>17,010</u>	<u>(54)</u>
Changes in temporarily restricted net assets:		
Contributions	2,440,222	1,032,000
Net assets released from restrictions	<u>(2,130,450)</u>	<u>(1,440,575)</u>
Increase (decrease) in temporarily restricted net assets	<u>309,772</u>	<u>(408,575)</u>
Change in net assets	326,782	(408,629)
Net assets, beginning of year	<u>1,591,645</u>	<u>2,000,274</u>
Net assets, end of year	<u>\$ 1,918,427</u>	<u>\$ 1,591,645</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

Statement of Functional Expenses
Year Ended September 30, 2012

	Mental Health Care	Pediatric Primary Care	Partnerships	Integration of Health and Mental Health	Linkage Across Systems	Innovations	Total Program	Management and General	Total 2012
Salaries	\$ 743,402	\$ 183,719	\$ 36,157	\$ 103,244	\$ 36,394	\$ 30,802	\$ 1,133,718	\$ 227,103	\$ 1,360,821
Payroll taxes and fringe benefits	249,084	58,729	10,739	34,116	11,763	8,809	373,240	70,915	444,155
Total salaries and related expenses	992,486	242,448	46,896	137,360	48,157	39,611	1,506,958	298,018	1,804,976
Occupancy	50,143	14,940	2,366	8,523	2,590	2,003	80,565	19,093	99,658
Professional fees	-	-	-	-	-	-	-	28,769	28,769
Consulting	178,759	66,194	-	79,990	8,989	-	333,932	53,304	387,236
Depreciation	-	-	-	-	-	-	-	13,250	13,250
Travel, meetings and conferences	184,834	17,282	6,188	6,807	171	22	215,304	6,884	222,188
Insurance	-	-	-	-	-	-	-	6,437	6,437
Printing, publication and postage	42,044	10,678	-	12,200	-	-	64,922	7,825	72,747
Subcontractors	1,822,998	68,036	-	-	-	-	1,891,034	-	1,891,034
Other expenses	154,597	6,094	-	-	63	-	160,754	26,574	187,328
Grants	18,500	-	-	-	265,556	100,000	384,056	-	384,056
Indirect cost allocation	164,459	4,940	-	-	-	-	169,399	(169,399)	-
Total expenses	\$ 3,608,820	\$ 430,612	\$ 55,450	\$ 244,880	\$ 325,528	\$ 141,636	\$ 4,806,924	\$ 290,755	\$ 5,097,679

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

Statement of Functional Expenses
Year Ended September 30, 2011

	Mental Health Care	Pediatric Primary Care	Partnerships	Integration of Health and Mental Health	Linkage Across Systems	Innovations	Total Program	Management and General	Total 2011
Salaries	\$ 486,026	\$ 173,194	\$ 34,504	\$ 110,249	\$ 40,977	\$ 29,448	\$ 886,398	\$ 187,898	\$ 1,074,296
Payroll taxes and fringe benefits	173,834	57,786	10,192	36,653	12,858	8,357	299,690	62,179	361,859
Total salaries and related expenses	671,860	230,980	44,696	146,902	53,835	37,805	1,186,078	250,077	1,436,155
Occupancy	40,824	15,356	2,445	9,399	2,883	2,071	72,978	15,584	88,562
Professional fees	-	-	-	-	-	-	-	38,526	38,526
Consulting	127,706	37,040	-	47,055	33,289	-	245,090	26,084	271,174
Depreciation	-	-	-	-	-	-	-	10,615	10,615
Travel, meetings and conferences	146,049	14,392	5,863	5,145	1,324	-	172,773	5,620	178,393
Insurance	-	-	-	-	-	-	-	5,990	5,990
Printing, publication and postage	19,838	9,179	-	16,047	15,214	-	60,278	4,848	65,126
Subcontractors	1,721,481	78,492	-	-	24,677	-	1,824,650	-	1,824,650
Other expenses	123,999	8,720	-	12	2,769	-	135,500	20,946	156,446
Grants	36,000	-	-	-	182,000	-	218,000	-	218,000
Indirect cost allocation	122,741	12,801	-	676	3,296	-	139,514	(139,514)	-
Total expenses	\$ 3,010,498	\$ 406,960	\$ 53,004	\$ 225,236	\$ 319,287	\$ 39,876	\$ 4,054,861	\$ 238,776	\$ 4,293,637

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Cash Flows
Years Ended September 30, 2012 and 2011**

	2012	2011
Operating activities:		
Change in net assets	\$ 326,782	\$ (408,629)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,250	10,615
Changes in operating assets and liabilities:		
Prepaid expenses	(656)	(167)
Grants and contributions receivable	(400,577)	814,640
Other receivables	(8,703)	(16,272)
Accounts payable	577,095	(405,978)
Accrued expenses	50,659	14,410
Grants payable	75,000	-
Deferred income	(106,625)	(133,141)
Net cash provided by (used in) operating activities	526,225	(124,522)
Investing activities:		
Purchase of furniture, equipment and leasehold improvements	(40,993)	-
Net cash used in investing activities	(40,993)	-
Increase (decrease) in cash and cash equivalents	485,232	(124,522)
Cash and cash equivalents, beginning of year	724,196	848,718
Cash and cash equivalents, end of year	\$ 1,209,428	\$ 724,196

Supplemental disclosure of noncash activities:

In 2011, fully depreciated assets totaling \$1,325 were disposed.

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Note 1 - Organization and summary of significant accounting policies:

Nature of activities:

The Child Health and Development Institute of Connecticut, Inc. (the "Institute") was formed to promote and maximize the healthy physical, emotional, behavioral, cognitive and social development of children throughout Connecticut by creating, supporting or facilitating innovative primary and preventative strategies for such children, and working to maximize the effectiveness of the institutions and systems that contribute to their well-being.

The Institute is a wholly owned subsidiary of The Children's Fund of Connecticut, Inc. ("Children's Fund") which is a 501(c)(3) organization. Children's Fund is also a subsidiary of The Connecticut Children's Medical Center. The financial statements represent only the activities of the Institute.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements report information regarding the Institute's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Institute is subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Institute or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Institute and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor stipulations or by operation of law. There are no permanently restricted net assets as of September 30, 2012 and 2011.

Income taxes:

The Institute is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, certain operations of the Institute may qualify as unrelated business taxable income and to the extent that these operations generate income, they will be subject to Federal and state taxes.

The Institute has no unrecognized tax benefits as of September 30, 2012 and 2011. The Institute's Federal information returns prior to fiscal year 2009 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Cash and cash equivalents:

For purposes of the statements of cash flows, the Institute considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2012 and 2011, the Institute had cash equivalents of \$1,017,704 and \$466,080, respectively.

Recognition of grant revenue:

The Institute receives grant funds from various agencies of the State of Connecticut and from private, nonprofit organizations that are accounted for as exchange transactions. The Institute must apply for the grants each year. Grant revenue is recorded when the grant has been approved and eligible expenses have been incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred income represents grant advances and other revenue which exceed eligible costs incurred.

Contributions:

Unconditional promises to give are recorded as contributions receivable when the promise is received. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Receivables:

The Institute regularly monitors receivables arising from regular operations to determine if an allowance for doubtful accounts is deemed necessary. Management considers past history, current economic conditions and overall viability of the third party when determining the need for an allowance. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice or pledge date. No allowance is required as of September 30, 2012 and 2011, as management believes all amounts are collectible.

Furniture, equipment and leasehold improvements:

The Institute capitalizes all expenditures for furniture, equipment and leasehold improvements in excess of \$1,000 and having a useful life of greater than one year. Purchased furniture, equipment and leasehold improvements are carried at cost. Donated furniture, equipment and leasehold improvements are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Estimated lives for office furniture and equipment are 5 - 7 years.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Estimated lives for leasehold improvements are the shorter of asset lives or remaining term of the lease. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Expense allocation:

The cost of providing various programs and activities has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain administrative costs have been allocated among programs.

Gifts of long-lived assets:

The Institute reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Reclassification:

Certain prior year information has been reclassified to conform with the current year presentation.

Use of estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

The Institute has evaluated events and transactions for potential recognition or disclosure through January 24, 2013, which is the date the financial statements were available to be issued.

Note 2 - Concentrations:

Concentrations of credit risk:

Financial instruments which potentially subject the Institute to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Institute maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Institute has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At September 30, 2012, the Institute had cash balances in excess of Federally insured limits in the amount of approximately \$767,700.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Funding sources:

The following agencies provided over 10% of the Institute's total grants and contributions receivable and support and revenue as of and for the years ended September 30, 2012 and 2011:

	2012		2011	
	Grants and Contributions Receivable	Support and Revenue	Grants and Contributions Receivable	Support and Revenue
Department of Children and Families	\$ 64,962 4%	\$ 925,316 17%	\$ 76,873 6%	\$ 669,420 17%
The Children's Fund of Connecticut, Inc.	4,800	1,493,345 28%	-	1,147,875 30%
The Connecticut Council of Family Service Agencies, Inc.	-	-	-	504,573 13%
The Grossman Family Foundation	350,000 21%	-	1,000,000 81%	1,000,000 26%
Robert Wood Johnson Foundation	1,112,416 68%	2,300,000 42%	66,732 5%	2,000 0%

Note 3 - Grants and contributions receivable:

Grants and contributions receivable are expected to be realized in the following periods:

	September 30,	
	2012	2011
Grants receivable - in one year or less	\$ 161,825	\$ 156,931
Contributions receivable:		
In one year or less	1,419,295	813,732
In one to five years	53,120	263,000
	<u>\$ 1,634,240</u>	<u>\$ 1,233,663</u>

Amounts are shown in the statements of financial position as follows:

	September 30,	
	2012	2011
Current	\$ 1,581,120	\$ 970,663
Non-current	53,120	263,000
	<u>\$ 1,634,240</u>	<u>\$ 1,233,663</u>

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Note 4 - Deferred income:

Grant funds received but not expended as of September 30, 2012 and 2011 were for the following purposes:

	<u>2012</u>	<u>2011</u>
Mental Health Care/Connecticut Center for Effective Practice	\$ 20,943	\$ 72,019
Integration of Health and Mental Health/Access to Behavioral Health Services	51,697	63,879
Pediatric Primary Care/Improving Effectiveness of Medical Homes	-	10,719
Other programs	76,080	108,728
	<u>\$ 148,720</u>	<u>\$ 255,345</u>

Note 5 - Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purposes at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Child FIRST Replication	<u>\$ 1,607,061</u>	<u>\$ 1,297,289</u>

Note 6 - Operating lease:

The Institute leases office space with monthly payments ranging from \$6,180 to \$7,548 through January 2017. As of September 30, 2012, future minimum lease payments under the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2013	\$ 91,262
2014	91,605
2015	92,292
2016	93,322
2017	31,222
	<u>\$ 399,703</u>

Total lease expense for the years ended September 30, 2012 and 2011 was \$85,275 and \$74,160, respectively.

Note 7 - Tax deferred annuity plan:

The Institute has a tax deferred annuity plan under the provisions of Section 403(b) of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 ("ERISA"). Under the plan, all employees except students are eligible to participate. Eligible employees can make contributions beginning on his or her date of hire, with the employer contributions commencing on that same date. Employer contributions are made at 10% of compensation determined monthly and are 100% vested after the employee's completion of one year of service. The Institute's contributions under this plan totaled \$132,869 and \$109,482 for the years ended September 30, 2012 and 2011, respectively.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

Note 8 - Related party transactions:

Members of the Board of Directors of the Institute and of the Children's Fund are on the faculties of University of Connecticut, University of Connecticut Health Center, Yale University and the Connecticut Children's Medical Center. The Institute contracted with these organizations to provide program related services. The Institute incurred \$288,423 and \$80,596 for services provided by these organizations for the years ended September 30, 2012 and 2011, respectively. The amount payable at September 30, 2012 and 2011 was \$5,346 and \$16,505, respectively.

Included in other receivables as of September 30, 2012 and 2011 are amounts due from these related parties of \$9,750 and \$3,150, respectively.

Children's Fund provided grants of \$1,281,200 and \$1,168,744 to support specific programs of the Institute for the years ended September 30, 2012 and 2011, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,443,343 and \$1,115,418, respectively, of the grants to support programs during the years ended September 30, 2012 and 2011. Additionally, the Institute provided management support for the Children's Fund in the amount of \$50,000 and \$48,000 for the years ended September 30, 2012 and 2011, respectively, which was recorded as operating grants in the statement of activities.