

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

**Financial Statements
and Independent Auditor's Report**

September 30, 2016 and 2015

Child Health and Development Institute of Connecticut, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Child Health and Development Institute of Connecticut, Inc. (the "Institute", a nonprofit entity controlled by The Children's Fund of Connecticut, Inc.), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, 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.

Auditor's 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 auditor's 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 Institute as of September 30, 2016 and 2015, 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 December 1, 2016 on our consideration of the Institute's 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 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* in considering the Institute's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
December 1, 2016

Child Health and Development Institute of Connecticut, Inc.

**Statements of Financial Position
September 30, 2016 and 2015**

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 243,871	\$ 513,025
Grants and contributions receivable	863,876	464,185
Other receivables	33,972	-
Prepaid expenses	9,894	30,473
Total current assets	<u>1,151,613</u>	<u>1,007,683</u>
Non-current assets		
Furniture, equipment and leasehold improvements	250,872	255,605
Accumulated depreciation	<u>(145,526)</u>	<u>(120,167)</u>
Total furniture, equipment and leasehold improvements	105,346	135,438
Security deposit	<u>5,493</u>	<u>5,493</u>
Total non-current assets	<u>110,839</u>	<u>140,931</u>
Total	<u>\$ 1,262,452</u>	<u>\$ 1,148,614</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 456,283	\$ 373,034
Accrued expenses	256,904	242,122
Deferred income	<u>80,419</u>	<u>107,026</u>
Total liabilities	<u>793,606</u>	<u>722,182</u>
Commitments		
Net assets		
Unrestricted	468,846	423,471
Temporarily restricted	<u>-</u>	<u>2,961</u>
Total net assets	<u>468,846</u>	<u>426,432</u>
Total	<u>\$ 1,262,452</u>	<u>\$ 1,148,614</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Activities
Years Ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets		
Operating support and revenue		
Operating grants	\$ 1,691,039	\$ 1,713,981
Government grants	4,340,457	4,511,137
Contributions	7,073	6,220
Interest income	21	7
Net assets released from restrictions	<u>2,961</u>	<u>126,482</u>
Total operating support and revenue	<u>6,041,551</u>	<u>6,357,827</u>
Expenses		
Program expenses	5,678,906	6,018,671
Management and general	<u>317,270</u>	<u>296,672</u>
Total expenses	<u>5,996,176</u>	<u>6,315,343</u>
Increase in unrestricted net assets	<u>45,375</u>	<u>42,484</u>
Changes in temporarily restricted net assets		
Contributions	-	123,000
Net assets released from restrictions	<u>(2,961)</u>	<u>(126,482)</u>
Decrease in temporarily restricted net assets	<u>(2,961)</u>	<u>(3,482)</u>
Change in net assets	42,414	39,002
Net assets, beginning	<u>426,432</u>	<u>387,430</u>
Net assets, end	<u><u>\$ 468,846</u></u>	<u><u>\$ 426,432</u></u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2016**

	Mental Health Care	Pediatric Primary Care	Early Childhood	Total Program	Management and General	Total
Salaries	\$ 1,321,199	\$ 343,608	\$ 188,479	\$ 1,853,286	\$ 333,661	\$ 2,186,947
Payroll taxes and fringe benefits	409,021	106,187	58,425	573,633	99,587	673,220
Total salaries and related expenses	1,730,220	449,795	246,904	2,426,919	433,248	2,860,167
Occupancy	108,053	26,917	13,299	148,269	26,846	175,115
Professional fees	-	-	-	-	26,509	26,509
Consulting	835,643	177,025	44,761	1,057,429	33,800	1,091,229
Depreciation	-	-	-	-	31,034	31,034
Travel, meetings and conferences	164,527	25,557	1,286	191,370	10,524	201,894
Insurance	-	-	-	-	9,772	9,772
Printing, publication and postage	-	-	13,511	13,511	4,524	18,035
Subcontractors	1,488,546	10,000	-	1,498,546	-	1,498,546
Other expenses	-	-	-	-	1,565	1,565
Supplies	45,363	1,822	1,036	48,221	33,976	82,197
Loss on disposal of asset	-	-	-	-	113	113
Indirect cost allocation	292,671	-	1,970	294,641	(294,641)	-
Total expenses	\$ 4,665,023	\$ 691,116	\$ 322,767	\$ 5,678,906	\$ 317,270	\$ 5,996,176

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2015**

	Mental Health Care	Pediatric Primary Care	Early Childhood	Total Program	Management and General	Total
Salaries	\$1,119,244	\$296,676	\$167,743	\$1,583,663	\$307,784	\$1,891,447
Payroll taxes and fringe benefits	350,879	93,256	52,547	496,682	88,708	585,390
Total salaries and related expenses	1,470,123	389,932	220,290	2,080,345	396,492	2,476,837
Occupancy	93,102	26,499	13,692	133,293	37,504	170,797
Professional fees	-	-	-	-	35,177	35,177
Consulting	904,099	47,841	50,791	1,002,731	29,227	1,031,958
Depreciation	-	-	-	-	28,809	28,809
Travel, meetings and conferences	219,013	23,200	1,180	243,393	15,748	259,141
Insurance	-	-	-	-	9,240	9,240
Printing, publication and postage	7,461	14,906	1,729	24,096	1,971	26,067
Subcontractors	1,726,204	189,747	-	1,915,951	12,000	1,927,951
Other expenses	198	-	100	298	2,177	2,475
Supplies	108,055	1,007	84	109,146	33,595	142,741
Grants	-	-	199,981	199,981	-	199,981
Loss on disposal of asset	-	-	-	-	4,169	4,169
Indirect cost allocation	300,213	7,153	2,071	309,437	(309,437)	-
Total expenses	\$ 4,828,468	\$ 700,285	\$ 489,918	\$ 6,018,671	\$ 296,672	\$ 6,315,343

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Cash Flows
Years Ended September 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 42,414	\$ 39,002
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	31,034	28,809
Loss on disposal of assets	113	4,169
Changes in operating assets and liabilities		
Grants and contributions receivable	(399,691)	148,613
Other receivables	(33,972)	-
Prepaid expenses	20,579	(22,774)
Accounts payable	83,249	(150,240)
Accrued expenses	14,782	61,425
Grants payable	-	(55,000)
Deferred income	(26,607)	(33,695)
Net cash provided by (used in) operating activities	(268,099)	20,309
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(1,055)	(51,370)
Decrease in cash and cash equivalents	(269,154)	(31,061)
Cash and cash equivalents, beginning	513,025	544,086
Cash and cash equivalents, end	\$ 243,871	\$ 513,025

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2016 and 2015**

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. There are no temporarily restricted net assets as of June 30, 2016.

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, 2016 and 2015.

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, 2016 and 2015. The Institute's federal information returns prior to fiscal year 2013 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Institute had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents

The Institute considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2016 and 2015, the Institute had cash equivalents of \$20,955 and \$20,934, respectively.

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2016 and 2015**

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, 2016 and 2015, 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. Estimated lives for leasehold improvements are the shorter of asset lives or 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.

Deferred rent

Rent expense is recognized on a straight-line basis over the term of the leases. At September 30, 2016 and 2015, \$1,475 and \$2,803, respectively, is reflected as rent escalation payable, which represents the excess of rent expense computed on a straight-line basis over the minimum lease payments.

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

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements September 30, 2016 and 2015

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.

Expenses by function

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

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 December 1, 2016, 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, 2016, the Institute had cash balances in excess of federally insured limits of approximately \$428,000.

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, 2016 and 2015:

	2016		2015	
	Grants and contributions receivable	Support and revenue	Grants and Contributions receivable	Support and revenue
Department of Children and Families	\$ 548,536 64%	\$ 3,807,867 63%	\$ 273,872 59%	\$ 4,118,216 65%
The Children's Fund of Connecticut, Inc.	-	1,186,281 20%	-	1,240,231 20%

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2016 and 2015**

Note 3 - Deferred income

Grant funds received but not expended as of September 30, 2016 and 2015 were for the following purposes:

	<u>2016</u>	<u>2015</u>
Mental Health Care/Connecticut Center for Effective Practice	\$ 33,533	\$ 62,696
Other programs	<u>46,886</u>	<u>44,330</u>
	<u>\$ 80,419</u>	<u>\$ 107,026</u>

Note 4 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mental Health Care for Children	<u>\$ -</u>	<u>\$ 2,961</u>

Note 5 - Operating lease

The Institute leases office space with monthly payments ranging from \$4,340 to \$7,805 through June 2017. As of September 30, 2016, future minimum lease payments under the leases are as follows:

2017	<u>\$ 109,756</u>
------	-------------------

Total lease expense for the years ended September 30, 2016 and 2015 was \$146,527 and \$145,977, respectively.

Note 6 - 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. 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 5% of compensation, and matching contributions of 100% of employee deferrals up to a maximum of 5% is made by the Institute. Matching contributions are 100% vested when made. The Institute's contributions under this plan totaled \$216,213 and \$183,292 for the years ended September 30, 2016 and 2015, respectively.

Note 7 - 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 ("UCHC"), Yale University, Yale University School of Medicine and the Connecticut Children's Medical Center ("Connecticut Children's"). The Institute contracted with these organizations to provide program related services. The Institute incurred \$363,865 and \$410,794 for services provided by these organizations for the

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2016 and 2015**

years ended September 30, 2016 and 2015, respectively. The amount payable at September 30, 2016 and 2015 was \$113,310 and \$138,695, respectively.

The Institute received grant funds from Connecticut Children's for the years ended September 30, 2016 and 2015 in the amount of \$84,400 and \$53,927, respectively. The amount receivable from Connecticut Children's at September 30, 2016 and 2015 was \$20,900 and \$14,500, respectively.

The Institute received grant funds from the UCHC for the years ended September 30, 2016 and 2015 in the amount of \$22,424 and \$3,552, respectively. The amount receivable from UCHC at September 30, 2016 and 2015 was \$6,728 and \$3,552, respectively.

Children's Fund provided grants of \$1,197,258 and \$1,207,442 to support specific programs of the Institute for the years ended September 30, 2016 and 2015, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,186,281 and \$1,240,231, respectively, of the grants to support programs during the years ended September 30, 2016 and 2015. Additionally, the Institute provided management support for the Children's Fund in the amount of \$55,000 for each of the years ended September 30, 2016 and 2015, which was recorded as operating grants in the statements of activities.

Note 8 - Line of credit

The Institute has a revolving line of credit agreement (the "Line") with People's United Bank (the "Bank") in the amount of \$500,000. The Line expires on February 27, 2018. Interest on advances is due and payable at a rate equal to the Bank's Prime Rate, as defined in the Line. As of the date of this report, there have been no advances drawn from the line.

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

cohnreznick.com