

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

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

September 30, 2013 and 2012

Child Health and Development Institute of Connecticut, Inc.

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Independent Auditor's Report

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

Report on 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, 2013 and 2012, 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 Institute'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 Institute'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 Child Health and Development Institute of Connecticut, Inc. as of September 30, 2013 and 2012, 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 10, 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, 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 Child Health and Development Institute of Connecticut, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Glastonbury, Connecticut
December 10, 2013

Child Health and Development Institute of Connecticut, Inc.

**Statements of Financial Position
September 30, 2013 and 2012**

<u>Assets</u>		
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 311,110	\$ 1,209,428
Grants and contributions receivable, current portion	718,065	1,581,120
Other receivables	16,990	30,910
Prepaid expenses	32,558	5,027
Total current assets	<u>1,078,723</u>	<u>2,826,485</u>
Non-current assets:		
Furniture, equipment and leasehold improvements	137,040	146,262
Accumulated depreciation	<u>(96,620)</u>	<u>(94,072)</u>
Total furniture, equipment and leasehold improvements	40,420	52,190
Grants and contributions receivable, less current portion	-	53,120
Security deposit	<u>5,493</u>	<u>5,493</u>
Total non-current assets	<u>45,913</u>	<u>110,803</u>
Totals	<u>\$ 1,124,636</u>	<u>\$ 2,937,288</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 184,892	\$ 649,016
Deferred income	193,338	148,720
Grants payable	37,500	75,000
Accrued expenses	<u>151,444</u>	<u>146,125</u>
Total liabilities	<u>567,174</u>	<u>1,018,861</u>
Commitments		
Net assets:		
Unrestricted	259,043	311,366
Temporarily restricted	<u>298,419</u>	<u>1,607,061</u>
Total net assets	<u>557,462</u>	<u>1,918,427</u>
Totals	<u>\$ 1,124,636</u>	<u>\$ 2,937,288</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Activities
Years Ended September 30, 2013 and 2012**

	2013	2012
Changes in unrestricted net assets:		
Operating support and revenue:		
Operating grants	\$ 1,748,352	\$ 1,822,044
Government grants	1,514,024	1,153,588
Contributions	8,051	6,982
Interest income	380	1,625
Net assets released from restrictions	1,463,642	2,130,450
Total operating support and revenue	4,734,449	5,114,689
Expenses:		
Program expenses	4,501,150	4,806,924
Management and general	285,622	290,755
Total expenses	4,786,772	5,097,679
Increase (decrease) in unrestricted net assets	(52,323)	17,010
Changes in temporarily restricted net assets:		
Contributions	155,000	2,440,222
Net assets released from restrictions	(1,463,642)	(2,130,450)
Increase (decrease) in temporarily restricted net assets	(1,308,642)	309,772
Change in net assets	(1,360,965)	326,782
Net assets, beginning of year	1,918,427	1,591,645
Net assets, end of year	\$ 557,462	\$ 1,918,427

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

Statement of Functional Expenses
Year Ended September 30, 2013

	Mental Health Care	Pediatric Primary Care	Partnerships	Integration of Health and Mental Health	Linkage Across Systems	Innovations	Total Program	Management and General	Total
Salaries	\$ 827,819	\$ 176,710	\$ 37,838	\$ 117,388	\$ 61,398	\$ 22,067	\$ 1,243,220	\$ 237,327	\$ 1,480,547
Payroll taxes and fringe benefits	260,553	56,186	11,175	36,683	16,798	6,551	387,946	74,466	462,412
Total salaries and related expenses	<u>1,088,372</u>	<u>232,896</u>	<u>49,013</u>	<u>154,071</u>	<u>78,196</u>	<u>28,618</u>	<u>1,631,166</u>	<u>311,793</u>	<u>1,942,959</u>
Occupancy	57,450	13,694	2,352	8,248	3,150	1,378	86,272	21,497	107,769
Professional fees	-	-	-	-	-	-	-	24,255	24,255
Consulting	291,604	7,990	-	99,146	101,418	-	500,158	52,135	552,293
Depreciation	-	-	-	-	-	-	-	13,169	13,169
Travel, meetings and conferences	188,272	13,032	14,355	14,221	877	-	230,757	16,624	247,381
Insurance	-	-	-	-	-	-	-	6,719	6,719
Printing, publication and postage	23,507	11,076	3,611	8,633	-	-	46,827	1,606	48,433
Subcontractors	1,190,086	111,065	-	-	-	-	1,301,151	-	1,301,151
Other expenses	189,355	919	-	2,387	-	-	192,661	29,932	222,593
Grants	43,550	1,500	-	-	275,000	-	320,050	-	320,050
Indirect cost allocation	192,108	-	-	-	-	-	192,108	(192,108)	-
Total expenses	<u>\$ 3,264,304</u>	<u>\$ 392,172</u>	<u>\$ 69,331</u>	<u>\$ 286,706</u>	<u>\$ 458,641</u>	<u>\$ 29,996</u>	<u>\$ 4,501,150</u>	<u>\$ 285,622</u>	<u>\$ 4,786,772</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
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	<u>992,486</u>	<u>242,448</u>	<u>46,896</u>	<u>137,360</u>	<u>48,157</u>	<u>39,611</u>	<u>1,506,958</u>	<u>298,018</u>	<u>1,804,976</u>
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	<u>\$ 3,608,820</u>	<u>\$ 430,612</u>	<u>\$ 55,450</u>	<u>\$ 244,880</u>	<u>\$ 325,526</u>	<u>\$ 141,636</u>	<u>\$ 4,806,924</u>	<u>\$ 290,755</u>	<u>\$ 5,097,679</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Cash Flows
Years Ended September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating activities:		
Change in net assets	\$ (1,360,965)	\$ 326,782
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,169	13,250
Changes in operating assets and liabilities:		
Prepaid expenses	(27,531)	(656)
Grants and contributions receivable	916,175	(400,577)
Other receivables	13,920	(8,703)
Accounts payable	(464,124)	577,095
Accrued expenses	5,319	50,659
Grants payable	(37,500)	75,000
Deferred income	44,618	(106,625)
Net cash provided by (used in) operating activities	<u>(896,919)</u>	<u>526,225</u>
Investing activities:		
Purchase of furniture, equipment and leasehold improvements	<u>(1,399)</u>	<u>(40,993)</u>
Net cash used in investing activities	<u>(1,399)</u>	<u>(40,993)</u>
Increase (decrease) in cash and cash equivalents	(898,318)	485,232
Cash and cash equivalents, beginning of year	<u>1,209,428</u>	<u>724,196</u>
Cash and cash equivalents, end of year	<u>\$ 311,110</u>	<u>\$ 1,209,428</u>

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, 2013 and 2012.

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, 2013 and 2012. The Institute's Federal information returns prior to fiscal year 2010 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, 2013 and 2012, the Institute had cash equivalents of \$18,085 and \$1,017,704, 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, 2013 and 2012, 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 remaining term of the lease.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements

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, 2013 and 2012, \$1,717 and \$961, 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 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.

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.

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 10, 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, 2013, the Institute had cash balances in excess of Federally insured limits in the amount of approximately \$544,000.

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, 2013 and 2012:

	2013		2012	
	Grants and Contributions Receivable	Support and Revenue	Grants and Contributions Receivable	Support and Revenue
Department of Children and Families	\$ 177,450 25%	\$1,204,988 35%	\$ 64,962 4%	\$ 925,316 17%
The Children's Fund of Connecticut, Inc.	-	1,306,731 38%	4,800	1,493,345 28%
The Grossman Family Foundation	190,000 26%	-	350,000 21%	-
Robert Wood Johnson Foundation	219,821 31%	-	1,112,416 68%	2,300,000 42%

Note 3 - Grants and contributions receivable:

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

	September 30,	
	2013	2012
Grants receivable - in one year or less	\$ 288,244	\$ 161,825
Contributions receivable:		
Less than one year	429,821	1,419,295
In one to five years	-	53,120
	\$ 718,065	\$ 1,634,240

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

	September 30,	
	2013	2012
Current	\$ 718,065	\$ 1,581,120
Non-current	-	53,120
	\$ 718,065	\$ 1,634,240

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, 2013 and 2012 were for the following purposes:

	<u>2013</u>	<u>2012</u>
Mental Health Care/Connecticut Center for Effective Practice	\$ 74,065	\$ 20,943
Integration of Health and Mental Health/Access to Behavioral Health Services	47,992	51,697
Other programs	71,281	76,080
	<u>\$ 193,338</u>	<u>\$ 148,720</u>

Note 5 - Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purposes at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Child FIRST Replication	<u>\$ 298,419</u>	<u>\$ 1,607,061</u>

Note 6 - Operating lease:

The Institute leases office space with monthly payments ranging from \$7,547 to \$7,634 through January 2017. As of September 30, 2013, future minimum lease payments under the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2014	\$ 91,605
2015	92,292
2016	93,322
2017	31,222
	<u>\$ 308,441</u>

Total lease expense for the years ended September 30, 2013 and 2012 was \$92,917 and \$85,275, 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 \$146,204 and \$132,869 for the years ended September 30, 2013 and 2012, 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 \$244,042 and \$288,423 for services provided by these organizations for the years ended September 30, 2013 and 2012, respectively. The amount payable at September 30, 2013 and 2012 was \$41,323 and \$5,346, respectively.

Included in other receivables as of September 30, 2013 and 2012 are amounts due from these related parties of \$10,250 and \$9,750, respectively.

The Institute received grant funds from CCMC for the year ended September 30, 2013 in the amount of \$42,689. None were received for the year ended September 30, 2012.

Children's Fund provided grants of \$1,317,400 and \$1,281,200 to support specific programs of the Institute for the years ended September 30, 2013 and 2012, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,256,731 and \$1,443,343, respectively, of the grants to support programs during the years ended September 30, 2013 and 2012. Additionally, the Institute provided management support for the Children's Fund in the amount of \$50,000 for both years ended September 30, 2013 and 2012, which was recorded as operating grants in the statements of activities.