

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

**Report on Financial Statements**

**Years Ended September 30, 2011 and 2010**

**CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.**

Index

	<u>Page</u>
Report of Independent Public Accountants	2
Statements of Financial Position September 30, 2011 and 2010	3
Statements of Activities Years Ended September 30, 2011 and 2010	4
Statement of Functional Expenses Year Ended September 30, 2011	5
Statement of Functional Expenses Year Ended September 30, 2010	6
Statements of Cash Flows Years Ended September 30, 2011 and 2010	7
Notes to Financial Statements	8 - 13

## **Report of Independent Public Accountants**

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, 2011 and 2010, 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, 2011 and 2010, 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 December 22, 2011 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  
December 22, 2011

**CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 724,196	\$ 848,718
Grants and contributions receivable, current portion	970,663	1,713,494
Other receivables	22,207	5,935
Prepaid expenses	4,371	4,204
Total current assets	<u>1,721,437</u>	<u>2,572,351</u>
Furniture, equipment and leasehold improvements	105,269	106,594
Accumulated depreciation	<u>(80,822)</u>	<u>(71,532)</u>
Total furniture, equipment and leasehold improvements	<u>24,447</u>	<u>35,062</u>
Other assets:		
Grants and contributions receivable, less current portion	263,000	334,809
Security deposit	5,493	5,493
Total other assets	<u>268,493</u>	<u>340,302</u>
Totals	<u><u>\$ 2,014,377</u></u>	<u><u>\$ 2,947,715</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 71,921	\$ 477,899
Deferred income	255,345	388,486
Accrued expenses	95,466	81,056
Total liabilities	<u>422,732</u>	<u>947,441</u>
Commitments		
Net assets:		
Unrestricted	294,356	294,410
Temporarily restricted	1,297,289	1,705,864
Permanently restricted	-	-
Total net assets	<u>1,591,645</u>	<u>2,000,274</u>
Totals	<u><u>\$ 2,014,377</u></u>	<u><u>\$ 2,947,715</u></u>

See Notes to Financial Statements.

**CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Operating support and revenue:		
Operating grants	\$ 1,383,766	\$ 1,386,916
Government grants	1,463,842	1,198,584
Contributions	3,845	2,000
Interest income	1,555	4,523
Net assets released from restrictions	<u>1,440,575</u>	<u>1,812,138</u>
Total operating support and revenue	<u>4,293,583</u>	<u>4,404,161</u>
Expenses:		
Program expenses	4,054,861	4,167,943
Management and general	238,776	268,193
Total expenses	<u>4,293,637</u>	<u>4,436,136</u>
Decrease in unrestricted net assets	<u>(54)</u>	<u>(31,975)</u>
Changes in temporarily restricted net assets:		
Contributions	1,032,000	257,301
Net assets released from restrictions	<u>(1,440,575)</u>	<u>(1,812,138)</u>
Decrease in temporarily restricted net assets	<u>(408,575)</u>	<u>(1,554,837)</u>
Change in net assets	<u>(408,629)</u>	<u>(1,586,812)</u>
Net assets, beginning of year	<u>2,000,274</u>	<u>3,587,086</u>
Net assets, end of year	<u>\$ 1,591,645</u>	<u>\$ 2,000,274</u>

See Notes to Financial Statements.

CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2011

	<u>Mental Health Care</u>	<u>Pediatric Primary Care</u>	<u>Partnerships</u>	<u>Integration of Health and Mental Health</u>	<u>Linkage Across Systems</u>	<u>Innovations</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total 2011</u>
Salaries	\$ 498,026	\$ 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	299,680	62,179	361,859
Total salaries and related expenses	<u>671,860</u>	<u>230,980</u>	<u>44,696</u>	<u>146,902</u>	<u>53,835</u>	<u>37,805</u>	<u>1,186,078</u>	<u>250,077</u>	<u>1,436,155</u>
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
Strategic plan	-	-	-	-	-	-	-	-	-
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	<u>\$ 3,010,498</u>	<u>\$ 406,960</u>	<u>\$ 53,004</u>	<u>\$ 225,236</u>	<u>\$ 319,287</u>	<u>\$ 39,876</u>	<u>\$ 4,054,861</u>	<u>\$ 238,776</u>	<u>\$ 4,293,637</u>

See Notes to Financial Statements.

CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2010

	<b>Mental Health Care</b>	<b>Pediatric Primary Care</b>	<b>Partnerships</b>	<b>Integration of Health and Mental Health</b>	<b>Linkage Across Systems</b>	<b>Innovations</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Total 2010</b>
Salaries	\$ 525,020	\$ 173,500	\$ 23,201	\$ 87,524	\$ 46,496	\$ 27,655	\$ 883,396	\$ 188,721	\$ 1,072,117
Payroll taxes and fringe benefits	192,774	60,676	7,927	30,849	14,541	7,988	314,755	62,659	377,414
Total salaries and related expenses	<u>717,794</u>	<u>234,176</u>	<u>31,128</u>	<u>118,373</u>	<u>61,037</u>	<u>35,643</u>	<u>1,198,151</u>	<u>251,380</u>	<u>1,449,531</u>
Occupancy	46,005	15,014	1,666	7,232	3,360	1,973	75,250	15,280	90,530
Professional fees	-	-	-	-	-	-	-	42,026	42,026
Consulting	383,871	57,760	16,000	36,286	3,000	-	496,917	37,609	534,526
Depreciation	-	-	-	-	-	-	-	14,899	14,899
Travel, meetings and conferences	120,961	12,489	4,315	11,386	1,941	3,560	154,652	17,807	172,459
Insurance	-	-	-	-	-	-	-	5,935	5,935
Printing, publication and postage	21,321	7,499	-	17,489	13,236	-	59,545	10,419	69,964
Subcontractors	1,679,694	34,794	-	4,240	3,500	-	1,722,228	-	1,722,228
Other expenses	80,978	10,049	-	193	-	-	91,220	18,818	110,038
Strategic plan	-	-	-	-	-	-	-	-	-
Grants	24,000	-	-	-	200,000	-	224,000	-	224,000
Indirect cost allocation	134,903	9,786	-	1,291	-	-	145,980	(145,980)	-
Total expenses	<u>\$ 3,209,527</u>	<u>\$ 381,567</u>	<u>\$ 53,109</u>	<u>\$ 196,490</u>	<u>\$ 286,074</u>	<u>\$ 41,176</u>	<u>\$ 4,167,943</u>	<u>\$ 268,193</u>	<u>\$ 4,436,136</u>

See Notes to Financial Statements.

**CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
Operating activities:		
Change in net assets	<b>\$ (408,629)</b>	\$ (1,586,812)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	<b>10,615</b>	14,899
Changes in operating assets and liabilities:		
Prepaid expenses	<b>(167)</b>	69
Grants and contributions receivable	<b>814,640</b>	901,241
Other receivables	<b>(16,272)</b>	10,000
Accounts payable	<b>(405,978)</b>	336,625
Accrued expenses	<b>14,410</b>	(7,354)
Deferred income	<b>(133,141)</b>	264,741
Net cash used in operating activities	<b>(124,522)</b>	(66,591)
Investing activities:		
Purchase of furniture, equipment and leasehold improvements	-	(6,693)
Net cash used in investing activities	-	(6,693)
Decrease in cash and cash equivalents	<b>(124,522)</b>	(73,284)
Cash and cash equivalents, beginning of year	<b>848,718</b>	922,002
Cash and cash equivalents, end of year	<b>\$ 724,196</b>	\$ 848,718

Supplemental disclosure of noncash activities:

In 2011 and 2010, fully depreciated assets totaling \$1,325 and \$9,333, respectively 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.

#### **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, 2011 and 2010. The Institute's U.S. Federal information returns prior to fiscal year 2008 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

### **Note 1 - Organization and summary of significant accounting policies (continued):**

#### **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, 2011 and 2010, the Institute had cash equivalents of \$466,080 and \$614,525, 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, 2011 and 2010, 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

### **Note 1 - Organization and summary of significant accounting policies (concluded):**

#### **Furniture, equipment and leasehold improvements (concluded):**

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 December 22, 2011, 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, 2011, the Institute had cash balances in excess of Federally insured limits in the amount of approximately \$216,000.

**CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2 - Concentrations (concluded):**

**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, 2011 and 2010:

	2011		2010	
	Grants and Contributions Receivable	Support and Revenue	Grants and Contributions Receivable	Support and Revenue
Department of Children and Families	\$ 76,873 6%	\$ 669,420 17%	\$ 209,015 10%	\$ 978,574 34%
The Children's Fund of Connecticut, Inc.	-	1,147,875 30%	-	1,154,571 40%
The Connecticut Council of Family Service Agencies, Inc.	-	504,573 13%	-	-
The Grossman Family Foundation	1,000,000 81%	1,000,000 26%	-	-
Robert Wood Johnson Foundation	66,732 5%	2,000 0%	1,682,930 82%	22,300 1%

**Note 3 - Grants and contributions receivable:**

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

	September 30,	
	2011	2010
Grants receivable - in one year or less	\$ 156,931	\$ 265,373
Contributions receivable:		
In one year or less	813,732	1,448,121
In one to five years	263,000	336,809
Less: discount	-	(2,000)
	<u>\$ 1,233,663</u>	<u>\$ 2,048,303</u>

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

	September 30,	
	2011	2010
Current	\$ 970,663	\$ 1,713,494
Long-term	263,000	334,809
	<u>\$ 1,233,663</u>	<u>\$ 2,048,303</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, 2011 and 2010 were for the following purposes:

	<u>2011</u>	<u>2010</u>
Mental Health Care/Connecticut Center for Effective Practice	\$ 72,019	\$ 187,452
Integration of Health and Mental Health/Access to Behavioral Health Services	63,879	101,419
Pediatric Primary Care/Improving Effectiveness of Medical Homes	10,719	45,166
Other programs	<u>108,728</u>	<u>54,449</u>
	<u>\$ 255,345</u>	<u>\$ 388,486</u>

**Note 5 - Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following purposes at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Child FIRST Replication	\$ 1,297,289	\$ 1,595,864
Mental Health Care/Connecticut Center for Effective Practice	-	100,000
Pediatric Primary Care/Improving Effectiveness of Medical Homes	-	10,000
	<u>\$ 1,297,289</u>	<u>\$ 1,705,864</u>

**Note 6 - Operating lease:**

The Institute leases office space with monthly payments ranging from \$6,094 to \$6,352 through November 2013. As of September 30, 2011, future minimum lease payments under the lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2012	\$ 75,018
2013	76,048
2014	12,703
	<u>\$ 163,769</u>

Total lease expense for the years ended September 30, 2011 and 2010 was \$74,160 in both years.

# CHILD HEALTH AND DEVELOPMENT INSTITUTE OF CONNECTICUT, INC.

## NOTES TO FINANCIAL STATEMENTS

### **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 \$109,482 and \$105,266 for the years ended September 30, 2011 and 2010, respectively.

### **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 \$80,596 and \$327,548 for services provided by these organizations for the years ended September 30, 2011 and 2010, respectively. The amount payable at September 30, 2011 and 2010 was \$16,505 and \$63,872, respectively.

Included in other receivables as of September 30, 2011 and 2010 are amounts due from these related parties of \$3,150 and \$450, respectively.

Children's Fund provided grants of \$1,168,744 and \$1,258,450 to support specific programs of the Institute for the years ended September 30, 2011 and 2010, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,115,418 and \$1,154,571, respectively, of the grants to support programs during the years ended September 30, 2011 and 2010. Additionally, the Institute provided management support for the Children's Fund in the amount of \$48,000 in both of the years ended September 30, 2011 and 2010, which was recorded as operating grants in the statement of activities.