

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

Financial Statements

September 30, 2020 and 2019

# Child Health and Development Institute of Connecticut, Inc.

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Child Health and Development Institute of Connecticut, Inc. (a nonprofit entity controlled by The Children's Fund on Connecticut, Inc.) (the Institute), which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

### Auditors' 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. Those standards require that we plan and perform the audits 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, 2020 and 2019, 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.

*Baker Tilly US, LLP*

New York, New York  
December 17, 2020

**Child Health and Development Institute of Connecticut, Inc.**Statements of Financial Position  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 884,561	\$ 767,571
Grants receivable	584,316	725,172
Other receivables	1,226	-
Prepaid expenses	27,694	10,184
	<u>1,497,797</u>	<u>1,502,927</u>
<b>Noncurrent Assets</b>		
Furniture, equipment and leasehold improvements	280,898	242,355
Accumulated depreciation	(217,580)	(199,456)
	<u>63,318</u>	<u>42,899</u>
Furniture, equipment and leasehold improvements, net	63,318	42,899
Security deposit	5,493	5,493
	<u>68,811</u>	<u>48,392</u>
Total noncurrent assets	<u>68,811</u>	<u>48,392</u>
Total assets	<u>\$ 1,566,608</u>	<u>\$ 1,551,319</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 180,654	\$ 222,944
Accrued expenses	419,280	280,976
Deferred income	77,879	118,682
Grants payable	26,500	124,995
	<u>704,313</u>	<u>747,597</u>
Total current liabilities	<u>704,313</u>	<u>747,597</u>
<b>Net Assets</b>		
Without donor restriction	856,295	771,117
With donor restriction	6,000	32,605
	<u>862,295</u>	<u>803,722</u>
Total net assets	<u>862,295</u>	<u>803,722</u>
Total liabilities and net assets	<u>\$ 1,566,608</u>	<u>\$ 1,551,319</u>

See notes to financial statements

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

## Statements of Activities

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Operating support and revenue:		
Operating grants	\$ 1,509,467	\$ 1,553,445
Government grants	4,650,413	4,676,324
Contributions	14,944	6,325
Net assets released from restrictions	<u>41,605</u>	<u>85,055</u>
Total operating support and revenue	<u>6,216,429</u>	<u>6,321,149</u>
Expenses:		
Program expenses	5,782,194	5,921,911
Management and general	<u>349,057</u>	<u>248,538</u>
Total expenses	<u>6,131,251</u>	<u>6,170,449</u>
Change in net assets without donor restrictions	<u>85,178</u>	<u>150,700</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	15,000	71,672
Net assets released from restrictions	<u>(41,605)</u>	<u>(85,055)</u>
Change in net assets with donor restrictions	<u>(26,605)</u>	<u>(13,383)</u>
Change in net assets	58,573	137,317
<b>Net Assets, Beginning</b>	<u>803,722</u>	<u>666,405</u>
<b>Net Assets, Ending</b>	<u>\$ 862,295</u>	<u>\$ 803,722</u>

*See notes to financial statements*

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

Statement of Functional Expenses

Year Ended September 30, 2020

	<b>Mental Health Care</b>	<b>Pediatric Primary Care</b>	<b>Early Childhood</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 1,866,554	\$ 346,525	\$ 139,858	\$ 2,352,937	\$ 412,283	\$ 2,765,220
Payroll taxes and fringe benefits	554,607	102,745	41,192	698,544	120,498	819,042
Total salaries and related expenses	2,421,161	449,270	181,050	3,051,481	532,781	3,584,262
Occupancy	123,382	21,720	8,499	153,601	28,859	182,460
Professional fees	-	-	-	-	36,781	36,781
Consulting	576,385	93,153	-	669,538	37,423	706,961
Depreciation	-	-	-	-	23,968	23,968
Travel, meetings and conferences	36,295	17,245	923	54,463	4,868	59,331
Insurance	-	-	-	-	9,538	9,538
Printing, publication and postage	8,785	3,364	903	13,052	1,765	14,817
Subcontractors	1,271,693	-	-	1,271,693	-	1,271,693
Other expenses	1,231	-	-	1,231	3,048	4,279
Supplies	86,767	2,380	1,400	90,547	55,614	146,161
Grants	83,000	8,000	-	91,000	-	91,000
Indirect cost allocation	380,296	5,292	-	385,588	(385,588)	-
Total expenses	<u>\$ 4,988,995</u>	<u>\$ 600,424</u>	<u>\$ 192,775</u>	<u>\$ 5,782,194</u>	<u>\$ 349,057</u>	<u>\$ 6,131,251</u>

See notes to financial statements

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

Statement of Functional Expenses

Year Ended September 30, 2019

	<b>Mental Health Care</b>	<b>Pediatric Primary Care</b>	<b>Early Childhood</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 1,413,780	\$ 309,381	\$ 151,782	\$ 1,874,943	\$ 390,222	\$ 2,265,165
Payroll taxes and fringe benefits	412,948	90,443	44,165	547,556	113,557	661,113
Total salaries and related expenses	1,826,728	399,824	195,947	2,422,499	503,779	2,926,278
Occupancy	100,635	21,476	10,161	132,272	36,871	169,143
Professional fees	-	-	-	-	46,876	46,876
Consulting	1,072,186	112,627	-	1,184,813	10,014	1,194,827
Depreciation	-	-	-	-	23,308	23,308
Travel, meetings and conferences	234,404	52,907	1,778	289,089	7,045	296,134
Insurance	-	-	-	-	9,652	9,652
Printing, publication and postage	7,902	20,004	35	27,941	1,693	29,634
Subcontractors	1,139,898	-	-	1,139,898	-	1,139,898
Other expenses	478	79	-	557	945	1,502
Supplies	162,782	1,677	7,504	171,963	35,600	207,563
Loss on disposal of assets	-	-	-	-	639	639
Grants	49,995	75,000	-	124,995	-	124,995
Indirect cost allocation	413,091	7,732	7,061	427,884	(427,884)	-
Total expenses	<u>\$ 5,008,099</u>	<u>\$ 691,326</u>	<u>\$ 222,486</u>	<u>\$ 5,921,911</u>	<u>\$ 248,538</u>	<u>\$ 6,170,449</u>

See notes to financial statements

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

### Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 58,573	\$ 137,317
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	23,968	23,308
Loss on disposal of assets	-	639
Changes in operating assets and liabilities:		
Grants and contributions receivable	140,856	(152,613)
Other receivables	(1,226)	8,492
Prepaid expenses	(17,510)	32,575
Accounts payable	(42,290)	(165,461)
Accrued expenses	138,304	17,614
Deferred income	(40,803)	(61,865)
Grants payable	(98,495)	30,053
	<u>161,377</u>	<u>(129,941)</u>
Net cash provided by (used in) operating activities		
	161,377	(129,941)
<b>Cash Flows From Investing Activities</b>		
Purchase of furniture, equipment and leasehold improvements	(44,387)	(8,546)
	<u>116,990</u>	<u>(138,487)</u>
Increase (decrease) in cash		
	116,990	(138,487)
<b>Cash, Beginning</b>	<u>767,571</u>	<u>906,058</u>
<b>Cash, Ending</b>	<u>\$ 884,561</u>	<u>\$ 767,571</u>

See notes to financial statements



# Child Health and Development Institute of Connecticut, Inc.

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Notes to Financial Statements  
September 30, 2020 and 2019

## 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.

### Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified as follows:

**Net Assets Without Donor Restrictions** - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

**Net Assets With Donor Restrictions** - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may be met either by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. The institute does not have any net assets to be maintained in perpetuity at September 30, 2020 and 2019.

### Income Taxes

The Institute is exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) 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, 2020 and 2019. The Institute's federal information returns prior to fiscal year 2017 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.

# Child Health and Development Institute of Connecticut, Inc.

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Notes to Financial Statements  
September 30, 2020 and 2019

## 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 net assets without donor restrictions or net assets with donor restrictions 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 net assets without donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2020 and 2019, 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 \$3,000 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.

## Gifts of Long-Lived Assets

The Institute reports gifts of land, buildings and equipment as support without donor restrictions 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 support with donor restrictions. 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.

# Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements  
September 30, 2020 and 2019

## Expenses by Function

The cost of providing various programs and activities has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain administrative costs have been allocated among programs and management and general. Occupancy and depreciation and amortization expenses are allocated based on square footage. Costs of other categories are allocated based on estimates of time and effort.

## 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.

## New Accounting Pronouncements

### Contributions

In 2020, the Institute adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new guidance clarifies and improves accounting guidance for contributions received and contributions made by assisting entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this ASU did not have a material impact on the Institute, and as such, the financial statement presentation did not require adjustment.

### Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The core principles of ASU No. 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for fiscal year-end September 30, 2021. Management is currently evaluating the impact of ASU No. 2016-02 on the Institute's financial statements.

## Subsequent Events

The Institute has evaluated events and transactions for potential recognition or disclosure through December 17, 2020, which is the date the financial statements were available to be issued.

## 2. Liquidity and Availability of Resources

The following table reflects the Institute's financial assets available for general expenditure within one year of the September 30, 2020 and 2019 balance sheet date.

	<u>2020</u>	<u>2019</u>
Cash	\$ 884,561	\$ 767,571
Grants receivable	584,316	725,172
Other receivables	1,226	-
Total	<u>\$ 1,470,103</u>	<u>\$ 1,492,743</u>

Additionally, the Institute maintains a \$500,000 line of credit, as discussed in more detail in Note 5. As of September 30, 2020, \$500,000 remained available of the Institute's line of credit.

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

Notes to Financial Statements  
September 30, 2020 and 2019

### 3. Concentrations

#### Concentrations of Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk consist principally of cash 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, 2020, the Institute had cash balances in excess of federally insured limits of approximately \$634,561.

#### Funding Sources

The following agencies provided over 10 percent of the Institute's total grants receivable and support and revenues as of and for the years ended September 30, 2020 and 2019:

	2020		2019	
	Grants Receivable	Support and Revenue	Grants Receivable	Support and Revenue
Department of Children and Families	\$ 406,715 70%	\$ 3,457,160 56%	\$ 264,909 37%	\$ 3,446,067 55%
State Department of Education	\$ 67,106 11%	\$ 699,439 11%	\$ 192,500 27%	\$ 745,415 12%
SAMHSA	\$ 93,371 16%	\$ 427,624 7%	\$ 85,641 12%	\$ 397,906 6%
The Children's Fund of Connecticut, Inc.	\$ - 0%	\$ 1,255,790 20%	\$ 11,775 2%	\$ 1,231,409 20%

### 4. Deferred Income

Grant funds received but not expended as of September 30, 2020 and 2019 were for the following purposes:

	2020	2019
Mental Health Care State funded and other programs	\$ 65,616 12,263	\$ 47,934 70,748
Total	\$ 77,879	\$ 118,682

### 5. 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 in February 2021. Interest on advances is due and payable at a rate equal to the Bank's Prime Rate, as defined in the Line (2.75 percent as of March 16, 2020). As of the date of this report, there have been no advances drawn from the Line. The Line is collateralized by specific assets of the Institute.

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

Notes to Financial Statements  
September 30, 2020 and 2019

### 6. Grants Payable

The Institute has approved certain grants payable over future periods. As of September 30, 2020 and 2019, amounts payable to grantees were \$26,500 and \$124,995, respectively.

### 7. Net Assets

Net assets are available for the following purposes at September 30:

	<u>2020</u>	<u>2019</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	\$ 856,295	\$ 771,117
	<u>856,295</u>	<u>771,117</u>
With donor restrictions:		
Purpose restricted:		
Children's Pediatric Primary Care	6,000	32,605
	<u>6,000</u>	<u>32,605</u>
Total net assets	<u>\$ 862,295</u>	<u>\$ 803,722</u>

### 8. Operating Lease

The Institute leases office space with monthly payments ranging from \$1,954 to \$6,909 through September 2022. As of September 30, 2020, future minimum lease payments under the leases are as follows:

Years ending September 30:		
2021	\$ 82,913	
2022	<u>62,184</u>	
Total	<u>\$ 145,097</u>	

Total lease expense for the years ended September 30, 2020 and 2019 was \$147,273 and \$131,642 respectively.

### 9. Tax Deferred Annuity Plan

The Institute has a tax deferred annuity plan under the provisions of Section 403(b) of the IRC 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 percent of compensation, and matching contributions of 100 percent of employee deferrals up to a maximum of 5 percent is made by the Institute. Matching contributions are 100 percent vested when made. The Institute's contributions under this plan totaled \$266,199 and \$221,669 for the years ended September 30, 2020 and 2019, respectively.

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

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Notes to Financial Statements  
September 30, 2020 and 2019

### **10. 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. The Institute contracted with these organizations to provide program related services. The Institute incurred \$217,669 and \$228,517 for services provided by these organizations for the years ended September 30, 2020 and 2019, respectively. The amount payable at September 30, 2020 and 2019 was \$31,426 and \$68,749, respectively, which is included in accounts payable and grants payable on the statements of financial position.

The Institute received grant funds from Connecticut Children's Medical Center for the years ended September 30, 2020 and 2019 in the amount of \$57,418 and \$64,596, respectively. The amount receivable from Connecticut Children's Medical Center at September 30, 2020 and 2019 was \$11,457 and \$13,837, respectively, which is included in grants receivable on the statements of financial position.

The Institute received grant funds from Yale University for the years ended September 30, 2020 and 2019 in the amount of \$0 and \$3,678, respectively. There were no receivables from Yale University at September 30, 2020 and 2019.

Children's Fund provided grants of \$1,236,828 and \$1,310,495 to support specific programs of the Institute for the years ended September 30, 2020 and 2019, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,255,790 and \$1,231,409, respectively, of the grants to support programs during the years ended September 30, 2020 and 2019. Additionally, the Institute provided management support for the Children's Fund in the amount of \$100,000 for the years ended September 30, 2020 and 2019, which was recorded as operating grants in the statements of activities.

### **11. Contingencies**

The COVID-19 (coronavirus) outbreak in the United States in the first quarter of 2020 has caused business disruption through mandatory closings and changes in the execution of certain programs. The extent to which this event may impact the Institute's financial position or results of operation is uncertain.