

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

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

September 30, 2018 and 2017

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 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, 2018 and 2017, 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, 2018 and 2017, 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 November 28, 2018 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 solely 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 the effectiveness of the Institute's 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
November 28, 2018

Child Health and Development Institute of Connecticut, Inc.

**Statements of Financial Position
September 30, 2018 and 2017**

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 906,058	\$ 697,315
Grants and contributions receivable	572,559	821,241
Other receivables	8,492	36,362
Prepaid expenses	<u>42,759</u>	<u>46,867</u>
Total current assets	<u>1,529,868</u>	<u>1,601,785</u>
Non-current assets		
Furniture, equipment and leasehold improvements	242,154	248,166
Accumulated depreciation	<u>(183,854)</u>	<u>(168,959)</u>
Furniture, equipment and leasehold improvements, net	58,300	79,207
Security deposit	<u>5,493</u>	<u>5,493</u>
Total non-current assets	<u>63,793</u>	<u>84,700</u>
Total	<u>\$ 1,593,661</u>	<u>\$ 1,686,485</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 388,405	\$ 348,514
Accrued expenses	263,362	255,632
Deferred income	180,547	236,360
Grants payable	<u>94,942</u>	<u>124,902</u>
Total liabilities	<u>927,256</u>	<u>965,408</u>
Commitments		
Net assets		
Unrestricted	620,417	561,653
Temporarily restricted	<u>45,988</u>	<u>159,424</u>
Total net assets	<u>666,405</u>	<u>721,077</u>
Total	<u>\$ 1,593,661</u>	<u>\$ 1,686,485</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Activities
Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets		
Operating support and revenue		
Operating grants	\$ 1,435,006	\$ 1,552,095
Government grants	4,610,199	4,381,073
Contributions	6,574	6,424
Interest income	-	9
Net assets released from restrictions	<u>193,436</u>	<u>45,549</u>
Total operating support and revenue	<u>6,245,215</u>	<u>5,985,150</u>
Expenses		
Program expenses	5,870,503	5,625,932
Management and general	<u>315,948</u>	<u>266,411</u>
Total expenses	<u>6,186,451</u>	<u>5,892,343</u>
Increase in unrestricted net assets	<u>58,764</u>	<u>92,807</u>
Changes in temporarily restricted net assets		
Contributions	80,000	204,973
Net assets released from restrictions	<u>(193,436)</u>	<u>(45,549)</u>
Increase (decrease) in temporarily restricted net assets	<u>(113,436)</u>	<u>159,424</u>
Change in net assets	(54,672)	252,231
Net assets, beginning	<u>721,077</u>	<u>468,846</u>
Net assets, end	<u><u>\$ 666,405</u></u>	<u><u>\$ 721,077</u></u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2018**

	Mental Health Care	Pediatric Primary Care	Early Childhood	Total program	Management and general	Total
Salaries	\$ 1,288,557	\$ 332,336	\$ 143,422	\$ 1,764,315	\$ 350,761	\$ 2,115,076
Payroll taxes and fringe benefits	371,620	98,303	42,604	512,527	104,180	616,707
Total salaries and related expenses	1,660,177	430,639	186,026	2,276,842	454,941	2,731,783
Occupancy	99,556	23,270	8,681	131,507	36,602	168,109
Professional fees	-	-	-	-	53,066	53,066
Consulting	1,089,556	181,454	5,000	1,276,010	30,544	1,306,554
Depreciation	-	-	-	-	28,460	28,460
Travel, meetings and conferences	222,775	30,115	513	253,403	14,824	268,227
Insurance	-	-	-	-	9,738	9,738
Printing, publication and postage	6,835	2,174	-	9,009	1,531	10,540
Subcontractors	1,405,915	-	-	1,405,915	-	1,405,915
Other expenses	1,890	543	-	2,433	1,058	3,491
Supplies	97,891	1,664	60	99,615	35,424	135,039
Loss on disposal of asset	-	-	-	-	547	547
Grants	-	-	64,982	64,982	-	64,982
Indirect cost allocation	345,098	5,689	-	350,787	(350,787)	-
Total expenses	\$ 4,929,693	\$ 675,548	\$ 265,262	\$ 5,870,503	\$ 315,948	\$ 6,186,451

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2017**

	<u>Mental Health Care</u>	<u>Pediatric Primary Care</u>	<u>Early Childhood</u>	<u>Total program</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 1,281,148	\$ 372,469	\$ 162,665	\$1,816,282	\$ 325,251	\$ 2,141,533
Payroll taxes and fringe benefits	384,816	111,855	49,030	545,701	98,383	644,084
Total salaries and related expenses	1,665,964	484,324	211,695	2,361,983	423,634	2,785,617
Occupancy	106,367	29,074	10,753	146,194	31,624	177,818
Professional fees	-	-	-	-	34,264	34,264
Consulting	947,684	128,755	-	1,076,439	14,685	1,091,124
Depreciation	-	-	-	-	29,339	29,339
Travel, meetings and conferences	157,653	26,438	499	184,590	6,531	191,121
Insurance	-	-	-	-	9,755	9,755
Printing, publication and postage	-	-	3,484	3,484	1,028	4,512
Subcontractors	1,329,931	8,250	-	1,338,181	-	1,338,181
Other expenses	1,140	-	-	1,140	2,381	3,521
Supplies	66,247	4,707	24	70,978	31,058	102,036
Loss on disposal of asset	-	-	-	-	153	153
Grants	-	-	124,902	124,902	-	124,902
Indirect cost allocation	316,883	1,158	-	318,041	(318,041)	-
Total expenses	<u>\$ 4,591,869</u>	<u>\$ 682,706</u>	<u>\$ 351,357</u>	<u>\$ 5,625,932</u>	<u>\$ 266,411</u>	<u>\$ 5,892,343</u>

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

**Statements of Cash Flows
Years Ended September 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (54,672)	\$ 252,231
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	28,460	29,339
Loss on disposal of assets	547	153
Changes in operating assets and liabilities		
Grants and contributions receivable	248,682	42,635
Other receivables	27,870	(2,390)
Prepaid expenses	4,108	(36,973)
Accounts payable	39,891	(107,769)
Accrued expenses	7,730	(1,272)
Deferred income	(55,813)	155,941
Grants payable	(29,960)	124,902
Net cash provided by operating activities	216,843	456,797
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(8,100)	(3,353)
Increase in cash	208,743	453,444
Cash, beginning	697,315	243,871
Cash, end	\$ 906,058	\$ 697,315

See Notes to Financial Statements.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements September 30, 2018 and 2017

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-imposed stipulations or by operation of law. There are no permanently restricted net assets as of September 30, 2018 and 2017.

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, 2018 and 2017. The Institute's federal information returns prior to fiscal year 2015 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. The Institute had no cash equivalents at September 30, 2018 and 2017.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements September 30, 2018 and 2017

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, 2018 and 2017, 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.

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.

Child Health and Development Institute of Connecticut, Inc.

Notes to Financial Statements September 30, 2018 and 2017

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.

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 November 28, 2018, 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, 2018, the Institute had cash balances in excess of federally insured limits of approximately \$979,000.

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, 2018 and 2017:

	2018		2017	
	Grants and contributions receivable	Support and revenue	Grants and contributions receivable	Support and revenue
Department of Children and Families	\$ 377,457 66%	\$ 3,636,943 59%	\$ 436,536 53%	\$ 3,322,080 54%
The Children's Fund of Connecticut, Inc.	18,849 3%	1,164,470 19%	-	1,276,678 21%

Note 3 - Deferred income

Grant funds received but not expended as of September 30, 2018 and 2017 were for the following purposes:

	2018	2017
Mental Health Care/Connecticut Center for Effective Practice	\$ 41,727	\$ 122,332
State funded and other programs	138,820	114,028
	<u>\$ 180,547</u>	<u>\$ 236,360</u>

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2018 and 2017**

Note 4 - 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 2019. Interest on advances is due and payable at a rate equal to the Bank's Prime Rate, as defined in the Line (4.50% as of September 30, 2018). 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.

Note 5 - Grants payable

The Institute has approved certain grants payable over future periods. As of September 30, 2018 and 2017, amounts payable to grantees were \$94,942 and \$124,902, respectively.

Note 6 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at September 30, 2018 and 2017:

	<u>2108</u>	<u>2017</u>
Improving care for children with ADHD	\$ -	\$ 129,424
Obesity prevention grants	-	30,000
Children's Behavioral Health Plan	<u>45,988</u>	<u>-</u>
	<u>\$ 45,988</u>	<u>\$ 159,424</u>

Note 7 - Operating lease

The Institute leases office space with monthly payments ranging from \$4,340 to \$7,805 through June 2020. As of September 30, 2018, future minimum lease payments under the leases are as follows:

2019	\$ 82,913
2020	<u>62,184</u>
	<u>\$ 145,097</u>

Total lease expense for the years ended September 30, 2018 and 2017 was \$131,642 and \$142,766, respectively.

Note 8 - 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 \$212,454 and \$211,774 for the years ended September 30, 2018 and 2017, respectively.

Child Health and Development Institute of Connecticut, Inc.

**Notes to Financial Statements
September 30, 2018 and 2017**

Note 9 - 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 \$356,666 and \$291,198 for services provided by these organizations for the years ended September 30, 2018 and 2017, respectively. The amount payable at September 30, 2018 and 2017 was \$255,294 and \$61,091, respectively.

The Institute received grant funds from Connecticut Children's for the years ended September 30, 2018 and 2017 in the amount of \$61,933 and \$96,775, respectively. The amount receivable from Connecticut Children's at September 30, 2018 and 2017 was \$15,211 and \$17,703, respectively.

The Institute received grant funds from UCHC for the years ended September 30, 2018 and 2017 in the amount of \$0 and \$10,140, respectively.

Children's Fund provided grants of \$1,183,982 and \$1,263,410 to support specific programs of the Institute for the years ended September 30, 2018 and 2017, respectively. Any unused funds are recorded as deferred income in the statements of financial position. The Institute used \$1,164,470 and \$1,276,678 , respectively, of the grants to support programs during the years ended September 30, 2018 and 2017. Additionally, the Institute provided management support for the Children's Fund in the amount of \$100,000 and \$58,000 for the years ended September 30, 2018 and 2017, respectively, which was recorded as operating grants in the statements of activities.

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

**State Financial Assistance in
Accordance with the State Single Audit Act
and Independent Auditor's Reports**

September 30, 2018

Child Health and Development Institute of Connecticut, Inc.

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Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of Child Health and Development Institute of Connecticut, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Health and Development Institute of Connecticut, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Health and Development Institute of Connecticut, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
November 28, 2018

Independent Auditor's Report on Compliance for Each Major
State Program; Report on Internal Control over Compliance;
and Report on the Schedule of Expenditures of State
Financial Assistance Required by the State Single Audit Act

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

Report on Compliance for Each Major State Program

We have audited Child Health and Development Institute of Connecticut, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Child Health and Development Institute of Connecticut, Inc.'s major state programs for the year ended September 30, 2018. Child Health and Development Institute of Connecticut, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Child Health and Development Institute of Connecticut, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Child Health and Development Institute of Connecticut, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Child Health and Development Institute of Connecticut, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Child Health and Development Institute of Connecticut, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Child Health and Development Institute of Connecticut, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Health and Development Institute of Connecticut, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of Child Health and Development Institute of Connecticut, Inc. as of and for the year ended September 30, 2018, and have issued our report thereon dated November 28, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
November 28, 2018

Child Health and Development Institute of Connecticut, Inc.

**Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2018**

State grantor/ pass-through grantor/ program title	State grant program CORE-CT number	Passed through to subrecipients	Expenditures
Department of Children and Families			
Grants for Outpatient Psychiatric Clinics for Children	11000-DCF91100-16024	\$ -	\$ 1,928,099
Community Kidcare	11000-DCF91100-16141	-	432,004
Cognitive Behavioral Intervention for Trauma in Schools	11000-DCF91158-16116	-	521,775
Trauma Focused Cognitive Behavioral Therapy	11000-DCF91100-90637	-	100,000
Total Department of Children and Families		-	2,981,878
Department of Public Health			
Children and Youth with Special Health Care Needs	12004-DPH48500-12126	-	19,250
Connecticut Judicial Branch			
Educational Support Services	11000-JUD96114-12105-064	-	392,618
State Department of Education			
School Based Diversion Initiative	11000-SDE64000-12587	-	96,916
Total Expenditures of State Financial Assistance		\$ -	\$ 3,490,662

See Note to Schedule of Expenditures of State Financial Assistance.

Child Health and Development Institute of Connecticut, Inc.

**Note to Schedule of Expenditures of State Financial Assistance
September 30, 2018**

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes state grant activity of the Child Health and Development Institute of Connecticut, Inc. (the "Organization") under programs of the State of Connecticut for the fiscal year ended September 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including ones that promote and maximize the healthy physical, emotional, behavioral, cognitive and social development of children throughout Connecticut.

Note 1 - Summary of significant accounting policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Basis of Accounting

The expenditures reported on the Schedule are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule.

Child Health and Development Institute of Connecticut, Inc.

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2018**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over major programs

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Type of auditor's opinion issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes X no

The following schedule reflects the major programs included in the audit:

State grantor / pass-through grantor / program title	State grant program CORE-CT number	Expenditures
Department of Children and Families: Grants for Outpatient Psychiatric Clinics for Children	11000-DCF91100-16024	\$ 1,928,099
Cognitive Behavioral Intervention for Trauma in Schools	11000-DCF91158-16116	521,775
Connecticut Judicial Branch: Educational Support Services	11000-JUD96114-12105-064	392,618

Dollar threshold used to distinguish between type A and type B programs \$ 200,000

II. Financial Statement Findings

There are no findings related to the financial statements.

III. State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs related to the state financial assistance programs.

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

**Federal Awards in
Accordance with the Uniform Guidance
and Independent Auditor's Reports**

September 30, 2018

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

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of Child Health and Development Institute of Connecticut, Inc. (a nonprofit entity), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Health and Development Institute of Connecticut, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Health and Development Institute of Connecticut, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
November 28, 2018

Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Child Health and Development Institute of Connecticut, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Child Health and Development Institute of Connecticut, Inc.'s major federal programs for the year ended September 30, 2018. Child Health and Development Institute of Connecticut, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Child Health and Development Institute of Connecticut, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Health and Development Institute of Connecticut, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Child Health and Development Institute of Connecticut, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Child Health and Development Institute of Connecticut, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Child Health and Development Institute of Connecticut, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Health and Development Institute of Connecticut, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Health and Development Institute of Connecticut, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Child Health and Development Institute of Connecticut, Inc. as of and for the year ended September 30, 2018, and have issued our report thereon dated November 28, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has

been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
November 28, 2018

Child Health and Development Institute of Connecticut, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018**

Federal grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Passed through State of Connecticut, Department of Public Health				
Maternal and Child Health Federal Consolidated Programs	93.110	DPH48830-42003	\$ -	\$ 3,800
Maternal and Child Health Services Block Grant to the States	93.994	DPH48830-20806-42003	-	42,432
Passed through State of Connecticut, Department of Children and Families				
Block Grants for Community Mental Health Services	93.958	17DCF6797AA	-	118,000
Block Grants for Community Mental Health Services	93.958	16DCF0348AA	-	48,750
Block Grants for Community Mental Health Services	93.958	16DCF0348AA	-	17,342
Total Block Grants for Community Mental Health Services			<u>-</u>	<u>184,092</u>
Adoption Opportunities	93.652	17DCF6806AA	-	125,696
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	15DCF6714AA	-	345,277
Passed through Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1U79SM063048-01	-	416,919
Total U.S. Department of Health and Human Services			<u>-</u>	<u>1,118,216</u>
U.S. Department of Justice				
Passed through Policy Research Associates				
National Institute of Justice Research - Evaluation and Development Project Grants	16.560	2016-CK-BX-0010	-	18,483
National Institute of Justice Research - Evaluation and Development Project Grants	16.560	2016-CK-BX-0010	-	39,061
Total National Institute of Justice Research - Evaluation and Development Project Grants			<u>-</u>	<u>57,544</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,175,760</u>

See Notes to Schedule of Expenditures of Federal Awards.

Child Health and Development Institute of Connecticut, Inc.

**Notes to Schedule of Expenditures of Federal Awards
September 30, 2018**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Child Health and Development Institute of Connecticut, Inc. (the "Organization") under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect cost rate

The Organization has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Child Health and Development Institute of Connecticut, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified opinion

Internal control over financial reporting

Material weakness(es) identified? yes X No
Significant deficiencies(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X No

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes X No
Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X yes no

II. Findings - Financial Statement Audit

There were no findings related to the financial statements.

III. Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the federal award programs.