

**INFANT WELFARE SOCIETY  
OF CHICAGO**

YEARS ENDED JUNE 30, 2016 AND 2015

# **INFANT WELFARE SOCIETY OF CHICAGO**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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## **Independent Auditor's Report**

Board of Directors  
Infant Welfare Society of Chicago  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Infant Welfare Society of Chicago (IWS), which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Infant Welfare Society of Chicago as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

February 21, 2017

# INFANT WELFARE SOCIETY OF CHICAGO

## STATEMENT OF FINANCIAL POSITION

June 30,	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 466,504	\$ 2,046,333
Receivables:		
Patient service, less allowance for uncollectible accounts of \$100,000 in 2016 and \$-0- in 2015	518,810	542,382
Grants and contributions	253,254	191,768
Interest	8,429	8,138
Prepaid expenses	83,106	144,587
Investments (Note 4)	7,294,239	7,727,851
Property and equipment, net (Note 5)	8,230,020	7,985,281
<b>Total assets</b>	<b>\$ 16,854,362</b>	<b>\$ 18,646,340</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 512,254	\$ 469,670
Due to Illinois Department of Public Aid:		
Overpayment of patient service revenue (Note 9)		754,674
<b>Total liabilities</b>	<b>512,254</b>	<b>1,224,344</b>
Net assets: (Notes 6 and 7)		
Unrestricted	15,362,245	16,184,107
Temporarily restricted	151,809	409,835
Permanently restricted	828,054	828,054
<b>Total net assets</b>	<b>16,342,108</b>	<b>17,421,996</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,854,362</b>	<b>\$ 18,646,340</b>

See notes to financial statements.

**INFANT WELFARE SOCIETY OF CHICAGO**

STATEMENT OF ACTIVITIES

Years ended June 30,	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Patient services	\$ 4,914,696			\$ 4,914,696	\$ 4,849,346			\$ 4,849,346
Provision for bad debts	100,000			100,000				
Net patient services	4,814,696			4,814,696	4,849,346			4,849,346
Contributions and grants:								
Auxiliary (Note 11)	600,250	\$ 74,400		674,650	604,510	\$ 122,250		726,760
Individuals, corporations and United Way (includes in-kind donations of \$276,123 for 2016 and \$131,153 for 2015)	519,819			519,819	241,779			241,779
Foundations	427,344	116,458		543,802	232,970	206,652		439,622
Government	596,035			596,035	796,672			796,672
Juvenile probation revenue	891,733			891,733	569,623			569,623
Interest income on operating accounts	377			377	242			242
Board-directed endowment assets designated for current operating activities (Note 7)	814,631			814,631	482,439			482,439
Miscellaneous	7,147			7,147	18,813			18,813
Net assets released from restrictions (Note 6)	448,884	(448,884)			153,850	(153,850)		
Total public support and revenue	9,120,916	(258,026)		8,862,890	7,950,244	175,052		8,125,296

*See notes to financial statements.*

## INFANT WELFARE SOCIETY OF CHICAGO

### STATEMENT OF ACTIVITIES (CONTINUED)

Years ended June 30,	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Program services:								
Primary health	\$ 3,571,113			\$ 3,571,113	\$ 3,438,802			\$ 3,438,802
Dental health	1,079,055			1,079,055	1,045,036			1,045,036
Other wellness services	2,245,288			2,245,288	1,760,155			1,760,155
Total program services	<b>6,895,456</b>			<b>6,895,456</b>	6,243,993			6,243,993
Supporting services:								
Management and general	1,749,668			1,749,668	1,600,431			1,600,431
Fundraising	138,901			138,901	162,905			162,905
Total supporting services	<b>1,888,569</b>			<b>1,888,569</b>	1,763,336			1,763,336
Total expenses	<b>8,784,025</b>			<b>8,784,025</b>	8,007,329			8,007,329
Excess (deficiency) of public support and revenue over expenses	336,891	\$ (258,026)		78,865	(57,085)	\$ 175,052		117,967
Other changes in net assets:								
Net loss on investments (Note 4)	(186,221)			(186,221)	(27,835)			(27,835)
Board-directed endowment assets designated for current operating activities (Note 7)	(814,631)			(814,631)	(482,439)			(482,439)
Auxiliary support expenses (Note 11)	(157,901)			(157,901)	(165,526)			(165,526)
Total change in net assets	<b>(821,862)</b>	<b>(258,026)</b>		<b>(1,079,888)</b>	(732,885)	175,052		(557,833)
Net assets, beginning of year	<b>16,184,107</b>	<b>409,835</b>	<b>\$ 828,054</b>	<b>17,421,996</b>	16,916,992	234,783	<b>\$ 828,054</b>	17,979,829
Net assets, end of year	<b>\$ 15,362,245</b>	<b>\$ 151,809</b>	<b>\$ 828,054</b>	<b>\$ 16,342,108</b>	\$ 16,184,107	\$ 409,835	<b>\$ 828,054</b>	\$ 17,421,996

*See notes to financial statements.*

## INFANT WELFARE SOCIETY OF CHICAGO

### STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2016	Program services				Supporting services			Total	Auxiliary	Total
	Primary health	Dental health	Other wellness services	Total	Management and general	Fundraising	Total	program and supporting services	support	Total
Employee compensation:										
Salaries	\$ 2,215,356	\$ 627,114	\$ 1,350,038	\$ 4,192,508	\$ 770,763	\$ 93,519	\$ 864,282	\$ 5,056,790	\$ 109,979	\$ 5,166,769
Employee health and retirement benefits	343,032	97,092	209,061	649,185	119,329	14,486	133,815	783,000	15,414	798,414
Payroll taxes	167,675	47,459	102,190	317,324	58,329	7,080	65,409	382,733	8,640	391,373
<b>Total employee compensation</b>	<b>2,726,063</b>	<b>771,665</b>	<b>1,661,289</b>	<b>5,159,017</b>	<b>948,421</b>	<b>115,085</b>	<b>1,063,506</b>	<b>6,222,523</b>	<b>134,033</b>	<b>6,356,556</b>
Professional fees and contract service payments	273,332	139,997	315,784	729,113	498,826	1,921	500,747	1,229,860	3,114	1,232,974
Supplies	173,174	61,550	58,897	293,621	48,233		48,233	341,854	3,585	345,439
Telephone and internet	27,008	8,183	17,066	52,257	8,811	1,680	10,491	62,748	1,396	64,144
Postage and shipping	7		1,330	1,337	9,516	174	9,690	11,027		11,027
Outside printing, artwork and other		902		902	2,377		2,377	3,279		3,279
Local transportation	198	1,019	23,869	25,086	1,827	269	2,096	27,182		27,182
Conferences and conventions	6,379	915	6,720	14,014	8,251		8,251	22,265		22,265
Dues and subscriptions	2,815	3,480	998	7,293	20,999		20,999	28,292		28,292
Equipment rentals, repairs and maintenance	42,075	16,403	21,195	79,673	80,882	2,969	83,851	163,524	2,565	166,089
Professional liability insurance	139,886	1,541		141,427				141,427		141,427
General occupancy	40,935	16,597	27,804	85,336	20,225	4,406	24,631	109,967	2,946	112,913
Miscellaneous	3,590	1,808	12,292	17,690	27,741	4,355	32,096	49,786	537	50,323
<b>Total expenses before depreciation and amortization</b>	<b>3,435,462</b>	<b>1,024,060</b>	<b>2,147,244</b>	<b>6,606,766</b>	<b>1,676,109</b>	<b>130,859</b>	<b>1,806,968</b>	<b>8,413,734</b>	<b>148,176</b>	<b>8,561,910</b>
Depreciation and amortization	135,651	54,995	98,044	288,690	73,559	8,042	81,601	370,291	9,725	380,016
<b>Total expenses</b>	<b>\$ 3,571,113</b>	<b>\$ 1,079,055</b>	<b>\$ 2,245,288</b>	<b>\$ 6,895,456</b>	<b>\$ 1,749,668</b>	<b>\$ 138,901</b>	<b>\$ 1,888,569</b>	<b>\$ 8,784,025</b>	<b>\$ 157,901</b>	<b>8,941,926</b>
Less auxiliary support expenses										(157,901)
<b>Total expenses as reported on the statement of activities</b>										<b>\$ 8,784,025</b>

See notes to financial statements.



**INFANT WELFARE SOCIETY OF CHICAGO**

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2015	Program services				Supporting services			Total program and supporting services	Auxiliary support	Total
	Primary health	Dental health	Other wellness services	Total	Management and general	Fundraising	Total			
Employee compensation:										
Salaries	\$ 2,200,749	\$ 552,410	\$ 1,058,878	\$ 3,812,037	\$ 716,688	\$ 94,105	\$ 810,793	\$ 4,622,830	\$ 110,592	\$ 4,733,422
Employee health and retirement benefits	270,359	97,986	90,776	459,121	128,930	30,501	159,431	618,552	19,058	637,610
Payroll taxes	158,182	58,902	59,863	276,947	64,814	15,387	80,201	357,148	12,609	369,757
Total employee compensation	2,629,290	709,298	1,209,517	4,548,105	910,432	139,993	1,050,425	5,598,530	142,259	5,740,789
Professional fees and contract service payments	256,211	159,997	307,426	723,634	388,978	1,735	390,713	1,114,347	2,046	1,116,393
Supplies	192,286	63,112	53,399	308,797	63,219		63,219	372,016	3,711	375,727
Telephone and internet	15,676	6,355	10,656	32,687	7,881	1,549	9,430	42,117	1,124	43,241
Postage and shipping	40		1,919	1,959	9,928	265	10,193	12,152	16	12,168
Outside printing, artwork and other	3,018	1,751		4,769	1,564		1,564	6,333		6,333
Local transportation	194	55	14,607	14,856	430	135	565	15,421		15,421
Conferences and conventions	4,412	2,528	5,430	12,370	3,849	102	3,951	16,321		16,321
Dues and subscriptions	7,778	2,606	376	10,760	4,890	2,075	6,965	17,725		17,725
Equipment rentals, repairs and maintenance	39,608	21,333	28,235	89,176	86,332	1,025	87,357	176,533	2,761	179,294
Professional liability insurance	100,544	1,541		102,085				102,085		102,085
General occupancy	41,756	16,928	28,381	87,065	17,761	7,357	25,118	112,183	2,994	115,177
Miscellaneous	3,357	896	1,904	6,157	26,738	94	26,832	32,989	246	33,235
Total expenses before depreciation and amortization	3,294,170	986,400	1,661,850	5,942,420	1,522,002	154,330	1,676,332	7,618,752	155,157	7,773,909
Depreciation and amortization	144,632	58,636	98,305	301,573	78,429	8,575	87,004	388,577	10,369	398,946
Total expenses	\$ 3,438,802	\$ 1,045,036	\$ 1,760,155	\$ 6,243,993	\$ 1,600,431	\$ 162,905	\$ 1,763,336	\$ 8,007,329	\$ 165,526	8,172,855
Less auxiliary support expenses										(165,526)
Total expenses as reported on the statement of activities										\$ 8,007,329

See notes to financial statements.

# INFANT WELFARE SOCIETY OF CHICAGO

## STATEMENT OF CASH FLOWS

Years ended June 30,	2016	2015
Operating activities:		
Change in net assets	\$ (1,079,888)	\$ (557,833)
Adjustments to reconcile above to cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes	(207,278)	(143,800)
Depreciation and amortization	380,016	398,946
Net loss on investments	618,592	246,520
Provision for bad debts	100,000	
(Increase) decrease in operating assets:		
Receivables	(138,205)	(291,220)
Prepaid expenses	61,481	(74,393)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	42,584	83,673
Due to Illinois Department of Public Aid	(754,674)	754,674
<b>Cash provided by (used in) operating activities</b>	<b>(977,372)</b>	416,567
Investing activities:		
Purchase of investments	(1,838,832)	(901,205)
Proceeds from sale or maturity of investments	1,653,852	1,588,488
Purchase of property and equipment	(624,755)	(86,476)
<b>Cash provided by (used in) investing activities</b>	<b>(809,735)</b>	600,807
Financing activity:		
Proceeds from contributions restricted for:		
CHAT program building improvements and equipment	207,278	143,800
<b>Cash provided by financing activity</b>	<b>207,278</b>	143,800
Increase (decrease) in cash and cash equivalents	(1,579,829)	1,161,174
Cash and cash equivalents, beginning of year	2,046,333	885,159
<b>Cash and cash equivalents, end of year</b>	<b>\$ 466,504</b>	<b>\$ 2,046,333</b>

*See notes to financial statements.*

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization

The Infant Welfare Society of Chicago (IWS) is an Illinois not-for-profit corporation, which provides quality medical services for the healthy, physical and mental development of children and women to give them a foundation for future productive and wholesome lives.

Under one roof, IWS provides well-child care, pediatric dental and optometry, child development support and counseling of children and adolescents with mental health diagnoses. Care of women includes prenatal, family planning and preventive care as well as management of chronic disease. Financial support for IWS is from private foundations, individuals, grants and contracts from the state.

During the year ended June 30, 2016, IWS completed a capital campaign to support the build-out and equipment purchase needs for an advanced therapy program for children. The program is called Child-centered Health and Advanced Therapies (CHAT) and is designed to address an acute need for early interventions of children at-risk of or with developmental delays. The facility, a repurposed section of the IWS building, became fully operational in November 2015.

During the period subsequent to June 30, 2016, the Board of Directors approved a change in the mission to provide services to the entire family. Previously, IWS services were limited to women and children. This change went into effect on January 2, 2017.

### 2. Summary of significant accounting policies

#### Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting.

IWS's financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activities are classified as unrestricted, temporarily restricted and permanently restricted as follows:

**Unrestricted** – Net assets that are not subject to donor-imposed restrictions.

**Temporarily restricted** – Net assets that are subject to donor-imposed restrictions, which will be met either by actions of IWS or the passage of time.

**Permanently restricted** – Net assets that are subject to donor-imposed restrictions to be permanently maintained by IWS. Generally, the donors of these assets permit IWS to use part or all of the income earned on related investments for general or specific purposes.

# **INFANT WELFARE SOCIETY OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Cash equivalents:**

For purposes of the statement of cash flows, IWS considers certificates of deposit with maturity dates of three months or less and all money market funds to be cash equivalents.

#### **Public support and revenue:**

Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including pledges and certain grants, are recognized in the period in which the unconditional pledge is received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of land, building and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. These grants and contracts require IWS to provide certain health care services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend funds allotted under the grants and contracts.

#### **Grants and contributions receivable:**

Grants and contributions receivable include unconditional promises to give. Grants and contributions receivable at June 30, 2016 and 2015 are due within one year.

# **INFANT WELFARE SOCIETY OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Conditional promises to give:**

During the year ended June 30, 2016, IWS was awarded \$375,000 of grants from private donors. The individual grant amounts and their conditions are as follows: \$100,000 for achievement of specific patient service metrics related to IWS's integrated care initiative, \$225,000 for achievement of specific CHAT patient service metrics and \$50,000 for matching funds. IWS recognized \$225,000 in grant revenue related to these grants during the year ended June 30, 2016. The remaining conditional amount of \$150,000 has not been recorded in the financial statements as of June 30, 2016 and for the year then ended.

#### **Patient service revenue:**

IWS has agreements with third-party payors that provide for payments to IWS at amounts different from its established rates. Payment arrangements include prospectively determined reimbursement rates. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

IWS provides care to self-pay patients on a sliding fee scale. Patients who meet income eligibility requirements receive services without charge or at rates less than the clinic's established rates for services. These services represent charity care and are excluded from net patient service revenue. IWS maintains records to identify and monitor the level of charity care provided, which is measured by the amount of estimated costs incurred to provide these services less any payments received. These costs totaled approximately \$393,000 and \$494,000 for the years ended June 30, 2016 and 2015, respectively.

#### **Patient service receivables:**

Patient service receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts of \$100,000 at June 30, 2016 is estimated by management based on historical relationships with patients and other third-party payors.

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Investments:

Investments consist of common stocks, mutual funds, U.S. Government obligations, corporate bonds and notes and real estate investment trusts. Investments are stated at fair value. The fair value of investments is generally determined based on quoted market prices or estimated fair value. IWS's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position. Donated securities are recorded as contributions at their fair value at the date of gift.

#### Board-directed endowment assets designated for current operating activities:

IWS has adopted the total return method of allocating investment income. In accordance with the investment policy, the Board of Directors authorizes annually an amount to be distributed for expenditures in support of IWS's operating activities. This distribution is based on the average market value of the eligible investments for the past three years. The purpose or amount of any distribution is at the sole discretion of the Board of Directors.

#### Property and equipment:

Property and equipment are stated on the basis of cost or fair value as of the date of the donation. IWS's policy is to capitalize assets with costs of \$2,500 or more and useful lives of over one year. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Building and improvements	40
Furniture and equipment	3-7

#### Donated services and materials:

IWS records donated services and material received as a contribution and a corresponding expense. The revenues and expenses for the years ended June 30, 2016 and 2015 are reflected at fair value at the date of receipt. Contributed services consist of legal services provided to IWS. These contributed services were valued at approximately \$266,400 and \$131,000 for the years ended June 30, 2016 and 2015, respectively. In addition, IWS received \$9,700 of donated supplies for the year ended June 30, 2016.

# **INFANT WELFARE SOCIETY OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Donated services and materials: (continued)**

A substantial number of individuals and organizations have volunteered their services to IWS. The estimated value of donated services has not been reflected in the financial statements as these services do not require specific expertise.

#### **Malpractice claims:**

IWS provides malpractice insurance for their licensed medical professionals through a third party insurance provider. No malpractice claims have been filed during the years ended June 30, 2016 and 2015.

#### **Functional allocation of expenses:**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited based on estimates determined by management.

For the year ended June 30, 2016, the statement of functional expenses has been realigned into new functional areas. The prior functional areas (Pediatrics, Womens and Dental) no longer align with IWS's focus. The new functional areas are Primary Health, Dental Health and Other Wellness Services. Primary Health provides clinic based medical services while the Dental Health group provides dental and orthodontia services. The Other Wellness Services include various behavioral health, counseling, vision and social service programs.

#### **Income taxes:**

IWS has received a tax determination letter from the Internal Revenue Service indicating that IWS is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements as IWS has had no significant unrelated business income.

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Fair value measurements:

As required by the *Fair Value Measurements and Disclosures* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, IWS defines fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The value of all of IWS's assets and liabilities which are required to be carried at fair value are exchange-traded and are, therefore, considered Level 1 assets and liabilities.

#### Reclassification:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

#### Use of estimates:

Management of IWS has made a number of estimates and assumptions relating to the reporting of both assets and liabilities as well as the disclosure of contingent assets and liabilities as of the date of the financial statements and the reporting of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

June 30,	2016	2015
Cash	\$ 189,615	\$ 1,251,543
Money market funds	276,889	794,790
Total	\$ 466,504	\$ 2,046,333

IWS maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The cash amounts in bank deposit accounts held in excess of federally-insured limits were approximately \$301,000 and \$866,000 at June 30, 2016 and 2015, respectively. Money market funds held in investment accounts are uninsured. IWS has not experienced any losses in such accounts. Management believes that IWS is not exposed to any significant credit risk on cash and cash equivalents. During July 2016, IWS entered into an arrangement which spreads its federally-insured limits across a group of financial institutions thereby reducing its exposure to significant credit risk.



# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. Investments

Investments are composed of the following:

June 30,	2016	2015
Domestic common stocks:		
Consumer discretionary	\$ 205,883	\$ 218,582
Consumer staples	60,274	112,300
Energy	51,453	115,962
Financial	194,819	319,272
Health care	268,312	251,818
Industrial goods	120,793	175,089
Information technology	339,442	322,550
Materials	20,230	25,560
Telecommunications	27,641	29,598
Utilities	18,908	24,884
Total domestic common stocks	<b>1,307,755</b>	1,595,615
Bonds and notes:		
U.S. Government obligations	92,209	145,121
Corporate domestic bonds	583,959	418,202
Total bonds and notes	<b>676,168</b>	563,323
Mutual funds:		
Commodities	116,729	135,142
Domestic small cap	1,628,931	1,729,650
International equity	1,449,876	1,603,976
International fixed income	117,329	250,808
Fixed income	520,735	553,133
Total mutual funds	<b>3,833,600</b>	4,272,709

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. Investments (continued)

June 30,	2016	2015
Exchange-traded funds:		
Commodity	\$ 287,007	\$ 238,040
Fixed income	218,703	95,418
MLP fund	162,148	273,431
Preferred fund	230,246	198,356
REIT	327,217	320,389
Small cap fund	251,395	170,570
<b>Total exchange-traded funds</b>	<b>1,476,716</b>	<b>1,296,204</b>
<b>Total investments at fair value</b>	<b>\$ 7,294,239</b>	<b>\$ 7,727,851</b>

Investment returns were as follows:

Years ended June 30,	2016	2015
Interest and dividends	\$ 462,210	\$ 247,508
Realized gains (losses), net	(38,821)	693,808
Unrealized losses, net	(579,771)	(940,328)
Investment fees	(29,839)	(28,823)
<b>Net loss on investments</b>	<b>\$ (186,221)</b>	<b>\$ (27,835)</b>

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Property and equipment

Property and equipment consist of the following:

June 30,	2016	2015
Land	\$ 418,750	\$ 418,750
Building and improvements	10,277,070	9,919,551
Furniture and equipment	1,731,680	1,638,983
Equipment not placed in service	174,539	
	<b>12,602,039</b>	11,977,284
Accumulated depreciation and amortization	<b>(4,372,019)</b>	(3,992,003)
Property and equipment, net	<b>\$ 8,230,020</b>	\$ 7,985,281

### 6. Restricted net assets

Temporarily restricted net assets include gifts of cash and pledges for which donor-imposed restrictions have not been met. Temporarily restricted net assets are restricted for the following purpose or time restrictions:

June 30,	2016	2015
Purpose:		
CHAT capital campaign	\$ 20,000	\$ 190,985
Child development/CHAT	33,125	95,417
Integrated care initiative	45,833	
Dental clinic	12,500	20,000
Children with special needs	12,284	17,866
Mammograms	3,067	3,067
Optometry		60,000
Women's clinic		22,500
Time	<b>25,000</b>	
Total temporarily restricted net assets	<b>\$ 151,809</b>	\$ 409,835

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Restricted net assets (continued)

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following purpose or time restrictions:

Years ended June 30,	2016	2015
Program:		
CHAT capital campaign	\$ 245,385	
Child development/CHAT	95,417	\$ 69,167
Optometry	60,000	55,000
Women's clinic	22,500	22,500
Children with special needs	5,582	7,183
Dental clinic	20,000	
Total net assets released from restrictions	\$ 448,884	\$ 153,850

Permanently restricted net assets consist of the following:

June 30,	2016	2015
General endowment fund	\$ 723,054	\$ 723,054
Children with special needs	105,000	105,000
Total	\$ 828,054	\$ 828,054

### 7. Endowments

IWS's endowment includes both donor-restricted funds and funds directed by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments, including those designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# **INFANT WELFARE SOCIETY OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **7. Endowments (continued)**

The Board of Directors of IWS has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment assets absent explicit donor stipulations to the contrary, which is consistent with historical accounting practices of IWS. As a result of this interpretation, IWS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IWS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IWS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment assets: (1) the duration and preservation of the various assets, (2) the purposes of the donor-restricted endowment assets, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of IWS and (7) IWS's investment policies.

IWS has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide for the immediate needs of the intended beneficiaries of its endowment assets while also maintaining the purchasing power of those endowment assets so that current and future generations may benefit equally. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the amounts distributed for expenditures in support of IWS operating activities, with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity, fixed income securities and real estate investment trusts that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the Board-directed distributions, which are currently at approximately 6%, while growing the assets if possible. Investment risk is measured in terms of the total endowment assets; investment assets and allocation between asset classes and strategies are managed to not expose the endowment assets to unacceptable levels of risk.

IWS has a present plan of appropriating for distribution each year approximately 6% of its endowment assets' average fair value for the last three years. In establishing this plan, IWS considered the long-term expected return on its investment assets, the nature and duration of the endowments, including the donor-restricted endowment which must be maintained in perpetuity because of donor-restrictions and the possible effects of inflation.

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Endowments (continued)

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

Year ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 7,684,859	\$ 17,866	\$ 828,054	\$ 8,530,779
Contributions	49,631			49,631
Investment income	411,714		50,496	462,210
Net depreciation	(597,935)		(50,496)	(648,431)
Amounts appropriated for expenditure	(809,049)	(5,582)		(814,631)
<b>Endowment net assets, end of year</b>	<b>\$ 6,739,220</b>	<b>\$ 12,284</b>	<b>\$ 828,054</b>	<b>\$ 7,579,558</b>

  

Year ended June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 8,175,224	\$ 25,049	\$ 828,054	\$ 9,028,327
Contributions	12,726			12,726
Investment income	224,786		22,722	247,508
Net depreciation	(252,621)		(22,722)	(275,343)
Amounts appropriated for expenditure	(475,256)	(7,183)		(482,439)
<b>Endowment net assets, end of year</b>	<b>\$ 7,684,859</b>	<b>\$ 17,866</b>	<b>\$ 828,054</b>	<b>\$ 8,530,779</b>

For the years ended June 30, 2016 and 2015, amounts appropriated for expenditures consisted of the following:

Years ended June 30,	2016	2015
Board approved appropriation	\$ 500,000	\$ 480,000
Cash transfer of proceeds from sale of donated stock	49,631	2,439
Cash transfer to cover operating expenses	250,000	
Cash transfer to cover CHAT capital expenditures, net	15,000	
	<b>\$ 814,631</b>	<b>\$ 482,439</b>

# INFANT WELFARE SOCIETY OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. Patient service revenue

The patient service revenue by source for the years ended June 30, 2016 and 2015 was as follows:

Years ended June 30,	2016		2015	
	Amount	Percentage of service revenue	Amount	Percentage of service revenue
Medicaid	\$ 2,464,846	50.2 %	\$ 4,524,369	93.3 %
Medicaid - Managed Care	2,105,603	42.8		
Self-pay	117,750	2.4	182,540	3.8
Commercial insurance and other	226,497	4.6	142,437	2.9
Total	\$ 4,914,696	100.0 %	\$ 4,849,346	100.0 %

### 9. Concentrations

At June 30, 2016 and 2015, one payor comprised approximately 34% and 100%, respectively, of gross patient service receivables. In addition, the Illinois Department of Public Aid overpaid IWS during the year ended June 30, 2015. A balance of \$754,674 was outstanding at June 30, 2015 of which IWS fully repaid during the year ended June 30, 2016.

Approximately \$675,000 and \$727,000 of IWS's revenue was provided by the Auxiliary during the years ended June 30, 2016 and 2015, respectively.

### 10. Employee benefit plan

IWS has a defined-contribution profit-sharing plan covering substantially all eligible employees. The plan provides for discretionary contributions based on employee classifications as defined in the plan. No contribution was approved for the years ended June 30, 2016 and 2015.

### 11. Related party transactions

During 2016, the contribution from the IWS Auxiliary (the Auxiliary) included \$600,250 for operations and \$74,400 for the CHAT capital campaign. In 2015, the contribution from the Auxiliary included \$600,000 for operations, \$4,510 for various other programs and \$122,250 for the CHAT capital campaign.

# **INFANT WELFARE SOCIETY OF CHICAGO**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **11. Related party transactions (continued)**

IWS provides supporting services to the Auxiliary and has allocated operating, administrative and depreciation expenses to the Auxiliary, based on the relative amount of space used by the Auxiliary on IWS premises. Auxiliary support expenses amounted to \$157,901 and \$165,526 for the years ended June 30, 2016 and 2015, respectively. Depreciation expense related to the Auxiliary's use of space was \$9,725 and \$10,369 for the years ended June 30, 2016 and 2015, respectively.

### **12. Subsequent events**

Management of IWS has reviewed and evaluated subsequent events from June 30, 2016, the financial statement date, through February 21, 2017, the date the financial statements were available to be issued. Except as discussed in Note 1, no events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.