

**Illinois Children's Healthcare  
Foundation**

**Year Ended December 31, 2003**

# Illinois Children's Healthcare Foundation

Year Ended December 31, 2003

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## Contents

	<u>Reference</u>	<u>Page</u>
Independent Auditor's Report		1
Statement of Financial Position	Exhibit A	2
Statement of Activities	Exhibit B	3
Statement of Cash Flows	Exhibit C	4
Notes to Financial Statements		5-7

## Independent Auditor's Report

Board of Directors  
Illinois Children's Healthcare Foundation  
Hinsdale, Illinois

We have audited the accompanying statement of financial position of **Illinois Children's Healthcare Foundation** as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Illinois Children's Healthcare Foundation** as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Blackman Kallick Bartelstein, LLP*

April 23, 2004

## Illinois Children's Healthcare Foundation

## Statement of Financial Position

December 31, 2003

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<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 125,134,721
Refundable income taxes	58,400
Interest receivable	<u>79,413</u>
Total Assets	<u><u>\$ 125,272,534</u></u>
<b><u>Liabilities and Net Assets</u></b>	
Current Liabilities - Accounts payable	\$ 58,457
Net Assets - Unrestricted	<u>125,214,077</u>
Total Liabilities and Net Assets	<u><u>\$ 125,272,534</u></u>

The accompanying notes are an integral part of the financial statements.

**Illinois Children's Healthcare Foundation**

Statement of Activities

Year Ended December 31, 2003

<b>Revenues</b>	
Contributions	\$ 124,600,000
Interest income	<u>856,852</u>
<b>Total Revenue</b>	<u><u>125,456,852</u></u>
<b>Expenses</b>	
Membership fees	900
Bank charges	998
Publications	140
Messenger service	207
Filing fees	884
Board meeting	4,625
Program consulting	13,217
Insurance	1,850
Investment consulting	75,000
Travel	1,387
Executive search	55,528
Legal fees	73,916
Income taxes	15,600
Miscellaneous	<u>3,523</u>
	<u>247,775</u>
<b>Change in Net Assets</b>	125,209,077
<b>Net Assets, Beginning of Year</b>	<u>5,000</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 125,214,077</u></u>

The accompanying notes are an integral part of the financial statements.

## Illinois Children's Healthcare Foundation

## Statement of Cash Flows

Year Ended December 31, 2003

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<b>Cash Flows from Operating Activities</b>	
Increase in net assets	<u>\$ 125,209,077</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Increase in	
Interest receivable	(79,413)
Refundable income taxes	(58,400)
Increase in	
Accounts payable	<u>58,457</u>
Net Cash Provided by Operating Activities	<u>125,129,721</u>
<b>Net Increase in Cash and Cash Equivalents</b>	125,129,721
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,000</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 125,134,721</u></u>

## Illinois Children's Healthcare Foundation

Notes to Financial Statements

Year Ended December 31, 2003

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### Note 1 - Nature of Operations

Illinois Children's Healthcare Foundation (the Foundation) is a corporation that was organized in December 2002 under the Illinois Not-for-Profit Corporation Act. The Foundation was funded in the approximate amount of \$124,600,000 through a settlement reached in a legal dispute between the Illinois Attorney General's office and an Illinois insurance company.

The Foundation was organized to operate exclusively for the children of Illinois through charitable, educational, scientific and literary purposes, including the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's efforts are directed towards the following broad areas:

- 1) Providing for public education and advocacy on a variety of child health issues
- 2) Funding research related to children's health
- 3) Providing specific healthcare services for underserved children
- 4) Working to treat and/or prevent the illnesses that impact children's healthcare overall

Specific funding areas will be identified during each grant cycle and communicated to potential applicants through a "Request for Proposals" (RFP) or other process.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Basis of Presentation

These financial statements report net assets separately by class of net assets.

The sole class of net assets is defined as follows:

Unrestricted - Amounts that are currently available for use in the foundation's operations

# Illinois Children's Healthcare Foundation

## Notes to Financial Statements

Year Ended December 31, 2003

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### Cash and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents at Northern Trust, which, at times, may exceed federally insured limits. The entire balance is invested in a Northern Trust Government Fund money market fund. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Federal Income Taxes

The Foundation is a not-for-profit corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Foundation is treated as a private foundation for the purpose of certain excise taxes. Accordingly, the Foundation is subject to either a 1 or 2 percent excise tax on its net investment income based on the amount of distributions made during the year.

#### Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Note 3 - Federal Excise Taxes and Minimum Required Distributions**

In accordance with the applicable provisions of the Tax Reform Act of 1969, the Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Act. Accordingly, federal excise tax expense for the year ended December 31, 2003 was estimated to be \$15,600.

In addition, the Tax Reform Act of 1969 requires that certain minimum distributions be made in accordance with a specific formula. The Foundation has until December 31, 2004 to meet the minimum distribution requirements.

**Illinois Children's Healthcare Foundation**

Notes to Financial Statements

Year Ended December 31, 2003

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**Note 4 - Lease**

The Foundation has entered into a lease for its office facilities effective in April 2004. The following is a schedule by year of future minimum rental payments required under the operating lease that has an initial or remaining noncancelable lease term in excess of one year, as of December 31, 2003:

Year Ending December 31:	
2004	\$ 9,890
2005	13,486
2006	<u>4,529</u>
Total Minimum Payments Required	<u>\$ 27,905</u>