

**Illinois Children's  
Healthcare Foundation**

**Financial Statements for the  
Years Ended December 31, 2006 and 2005**

**Illinois Children's Healthcare Foundation**  
Years Ended December 31, 2006 and 2005

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## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of **Illinois Children's Healthcare Foundation** as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Illinois Children's Healthcare Foundation** as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blackman Kallick Bartelstein, LLP*

May 17, 2007



## Illinois Children's Healthcare Foundation

## Statements of Activities

Years Ended December 31, 2006 and 2005

	2006	2005
<b>Revenues</b>		
Investment income		
Realized gains on investments	\$ 5,044,372	\$ 851,561
Unrealized gains on investments	9,346,276	3,191,497
Dividends and interest	3,888,072	3,425,511
Total Investment Income	18,278,720	7,468,569
Contributions	3,200	1,938
Total Revenues	18,281,920	7,470,507
<b>Expenses</b>		
Grants	6,073,875	5,544,552
Grants returned	(215,830)	-
Salaries and payroll taxes	356,304	300,800
Investment consulting and fees	249,487	214,258
Professional fees	76,480	63,694
Employee benefits	43,121	47,142
Excise taxes	86,699	41,289
Rent	31,199	25,477
Contributions	30,745	18,373
Travel	30,187	14,173
Depreciation	14,308	12,008
Board and committee meetings	9,056	8,746
Telephone and utilities	6,067	8,399
Insurance	6,202	6,393
Software maintenance	6,650	5,827
Staff development	970	4,829
Printing and copying	7,808	4,500
Supplies	4,936	3,934
Miscellaneous	4,770	3,802
Membership fees	1,873	2,474
Postage, shipping and delivery	2,820	2,231
Advertising and website	1,747	1,757
Total Expenses	6,829,474	6,334,658
<b>Change in Net Assets</b>	11,452,446	1,135,849
<b>Unrestricted Net Assets, Beginning of Year</b>	129,383,038	128,247,189
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 140,835,484</b>	<b>\$ 129,383,038</b>

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

**Illinois Children's Healthcare Foundation**

Statements of Cash Flows

Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 11,452,446	\$ 1,135,849
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	14,308	12,008
Realized gains on investments	(5,044,372)	(851,561)
Unrealized gains on investments	(9,346,276)	(3,191,497)
(Increase) decrease in		
Receivables	(10,578)	(21,076)
Prepaid expenses and deposits	(964)	2,000
Increase (decrease) in		
Grants payable	(19,389)	(409,540)
Accounts payable	583	12,193
Due to broker	-	(85,983)
	<u>(2,954,242)</u>	<u>(3,397,607)</u>
<b>Net Cash Used in Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(1,570)	(15,987)
Proceeds from sale of investment securities	9,447,324	18,546,313
Purchases of investment securities	(6,427,639)	(15,007,835)
	<u>3,018,115</u>	<u>3,522,491</u>
<b>Net Cash Provided by Investing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	63,873	124,884
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>608,762</u>	<u>483,878</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 672,635</u>	<u>\$ 608,762</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash payments for taxes	<u>\$ 90,000</u>	<u>\$ 27,930</u>

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

# Illinois Children's Healthcare Foundation

## Notes to Financial Statements

Years Ended December 31, 2006 and 2005

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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 toward 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

#### 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 with two financial institutions, which at times may exceed federally insured limits. 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.

# Illinois Children's Healthcare Foundation

## Notes to Financial Statements

Years Ended December 31, 2006 and 2005

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

#### Investments

All of the Foundation's investments are held at two financial institutions. Investments are carried at fair market value and are valued based on quoted market prices. Changes in fair market value are reported in the statements of activities. Realized gains are calculated based on actual cost using specific identification.

The Foundation'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 statements of financial position.

#### 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% excise tax on its net investment income based on the amount of distributions made during the year.

#### Depreciation

Property and equipment are valued at cost. The Foundation's policy is to capitalize items with a useful life of one year or more and a value of \$500 or more. These assets are depreciated over their useful lives, using the straight-line method.

	<u>Years</u>
Computer software	3
Office and computer equipment	5
Office furniture	7

#### 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.

## Illinois Children's Healthcare Foundation

### Notes to Financial Statements

Years Ended December 31, 2006 and 2005

#### Note 3 - Investments

Investments, including investment concentrations of 10% or more of total investments, consist of the following:

	<u>2006</u>	<u>2005</u>
NTGI US Market Capital Equity Index mutual fund	\$ 66,718,032	\$ 58,977,553
Other equity mutual funds	25,519,006	24,454,053
PIMCO Pacific Management fixed income mutual fund	23,125,011	22,237,090
NTGI Aggregate Bond Index fixed income mutual fund	11,228,277	11,322,379
Other fixed income mutual funds	5,639,162	5,295,152
International equities	7,905,550	6,477,848
	<u><u>\$ 140,135,038</u></u>	<u><u>\$ 128,764,075</u></u>

#### Note 4 - Property and Equipment

	<u>2006</u>	<u>2005</u>
Computer software	\$ 25,702	\$ 24,757
Office and computer equipment	17,388	16,763
Office furniture	17,865	17,865
	60,955	59,385
Accumulated depreciation	<u>(34,530)</u>	<u>(20,222)</u>
Total Property and Equipment, Net	<u><u>\$ 26,425</u></u>	<u><u>\$ 39,163</u></u>

#### Note 5 - Grants Payable

The Foundation reserves the right to cancel a grant at any time if it determines that the organization receiving the grant is not administering the project and grant funds in accordance with the proposal approved by the Foundation's board. However, the Foundation has determined that it is highly unlikely that these grants will not be awarded. As of December 31, 2006 and 2005, \$239,787 and \$259,176, respectively, of grants approved in prior years are payable in future years.

## Illinois Children's Healthcare Foundation

### Notes to Financial Statements

Years Ended December 31, 2006 and 2005

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#### Note 6 - Federal Excise Taxes and Minimum Required Distributions

In accordance with the applicable provisions of the Tax Reform Act of 1969 (the Act), the Foundation is subject to an excise tax on interest, dividends and realized gains, as defined in the Act. Accordingly, federal excise tax expense for the years ended December 31, 2006 and 2005 was estimated to be \$86,699 and \$41,289, respectively.

In addition, the Act requires that certain minimum distributions be made in accordance with a specific formula. The Foundation has made the required distributions during both 2006 and 2005.

#### Note 7 - Lease

The Foundation has entered into a lease for its office facilities effective in April 2004. The lease agreement was subsequently amended in March 2005. Rent expense for 2006 and 2005 was \$31,199 and \$25,477, respectively.

The following is a schedule by year of future minimum rental payments required under operating leases that have an initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006:

Year Ending December 31:	
2007	\$ 27,269
2008	27,612
2009	<u>13,977</u>
Total Minimum Payments Required	<u>\$ 68,858</u>

#### Note 8 - Employee Benefit Plans

The Foundation sponsors a Saving Incentive Match Plan for Employees (SIMPLE) IRA defined contribution plan. The IRS allows SIMPLE plans for employers with 100 or fewer employees who have received \$5,000 or more in compensation during the preceding year. The plan calls for matching employer contributions of up to 2% of income for employees that elect to defer compensation. The plan also calls for employer nonelective contributions of 2%, regardless of whether elective deferrals are made. To enter the plan, employees have a six-month waiting period from the date of hire. Employees may defer up to \$10,000, or \$12,500 if over age 50. Contributions for the years ended December 31, 2006 and 2005 were \$7,616 and \$6,354, respectively.

## **Illinois Children's Healthcare Foundation**

### **Notes to Financial Statements**

**Years Ended December 31, 2006 and 2005**

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#### **Note 8 - Employee Benefit Plans (Continued)**

The Foundation also sponsors a 457(b) plan for executive employees. There are no other eligibility requirements. The plan calls for discretionary nonelective contributions as approved by the Board of Directors. The amounts will be maintained on the Foundation's books in a designated account and will remain the sole property of the Foundation and be available to satisfy the claims of all general creditors of the Foundation. Contributions for the years ended December 31, 2006 and 2005 were \$5,000 and \$10,000, respectively.

#### **Note 9 - Reclassification**

For comparability, the 2005 financial statements reflect reclassifications where appropriate to conform to the financial statement presentation used in 2006.