

CHADD
Children and Adults with
Attention-Deficit/
Hyperactivity Disorder
Financial Statements
June 30, 2014 and 2013



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JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
CHADD - Children and Adults with
Attention Deficit/Hyperactivity Disorder
Lanham, MD

We have audited the accompanying financial statements of the Children and Adults with Attention Deficit/Hyperactivity Disorder (CHADD), a nonprofit organization, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 auditors consider 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 CHADD'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 Children and Adults with Attention Deficit/Hyperactivity Disorder as of June 30, 2014 and 2013, 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 Matters

Other Information

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014 on our consideration of the CHADD'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 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 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 CHADD's internal control over financial reporting and compliance.

Squire, Gerstler & Company LLP

October 14 2014

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
STATEMENTS OF FINANCIAL POSITION**

	JUNE 30,	
ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 54,179	\$ 156,388
Accounts receivable, net	69,110	186,551
Grants receivable, net	70,488	71,104
Inventory	1,668	1,668
Prepaid expenses	37,423	89,497
TOTAL CURRENT ASSETS	\$ 232,868	\$ 505,208
PROPERTY AND EQUIPMENT, NET	\$ 221,953	\$ 312,548
OTHER ASSETS:		
Investments	\$ 82,310	\$ 533,680
Deposits	10,508	14,565
TOTAL OTHER ASSETS	\$ 92,818	\$ 548,245
TOTAL ASSETS	\$ 547,639	\$ 1,366,001
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 132,326	\$ 68,951
Accrued expenses	152,670	243,110
Line of credit	80,000	-
Deferred revenue	82,735	151,605
TOTAL CURRENT LIABILITIES	\$ 447,731	\$ 463,666
NONCURRENT LIABILITIES		
Deferred rent	\$ 21,972	\$ -
TOTAL LIABILITIES	\$ 469,703	\$ 463,666
NET ASSETS:		
Unrestricted	\$ 15,354	\$ 569,559
Unrestricted - board designated	-	133,779
Total unrestricted net assets	\$ 15,354	\$ 703,338
Temporarily restricted	62,582	198,997
TOTAL NET ASSETS	\$ 77,936	\$ 902,335
TOTAL LIABILITIES AND NET ASSETS	\$ 547,639	\$ 1,366,001

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

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER**

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUE AND SUPPORT:				
Membership dues (net of \$65,98 in 2014 and \$49,507 in 2013 remitted to chapters)	\$ 462,148	-	\$ 602,472	-
Contributions	333,950	-	196,645	-
Conference	516,933	-	590,103	-
Publications	166,223	-	272,153	-
Federal grant	743,355	-	891,489	-
Other grants	136,500	59,500	384,350	178,400
Other revenue	19,508	-	50,936	-
Donated services	11,327	-	78,394	-
Interest and dividends, net	6,108	-	11,084	-
Net assets released from restrictions	195,915	(195,915)	748,804	(748,804)
TOTAL REVENUE AND SUPPORT	\$ 2,591,967	\$ (136,415)	\$ 3,826,430	\$ (570,404)
EXPENSES:				
Program services:				
Public education and outreach	\$ 1,963,615	-	\$ 2,213,636	-
Membership and chapter services	537,305	-	535,007	-
Public advocacy	48,483	-	50,441	-
Total program services	\$ 2,549,403	\$ -	\$ 2,799,084	\$ -
Supporting services:				
Management and general	\$ 609,387	-	\$ 563,781	-
Fundraising	155,569	-	153,676	-
Total supporting services	\$ 764,956	\$ -	\$ 717,457	\$ -
TOTAL EXPENSES	\$ 3,314,359	\$ -	\$ 3,516,541	\$ -
OPERATING (DEFICIT) SURPLUS	\$ (722,392)	\$ (136,415)	\$ 309,889	\$ (570,404)
OTHER REVENUE:				
Realized and unrealized gains on investments	34,408	-	27,657	-
CHANGE IN NET ASSETS	\$ (687,984)	\$ (136,415)	\$ 337,546	\$ (570,404)
NET ASSETS, BEGINNING OF YEAR	703,338	198,997	365,792	769,401
NET ASSETS, END OF YEAR	\$ 15,354	\$ 62,582	\$ 703,338	\$ 198,997

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

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Public Education and Outreach	Membership and Chapter Services	Public Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 960,189	\$ 207,132	\$ 368	\$ 1,167,689	\$ 124,096	\$ 114,689	\$ 1,406,474
Payroll taxes and benefits	188,683	51,875	38	240,596	45,480	8,491	294,567
Total salaries, taxes, and benefits	<u>\$ 1,148,872</u>	<u>\$ 259,007</u>	<u>\$ 406</u>	<u>\$ 1,408,285</u>	<u>\$ 169,576</u>	<u>\$ 123,180</u>	<u>\$ 1,701,041</u>
Professional fees	75,334	93,586	48,049	216,969	244,135	1,856	462,960
Insurance	-	15,186	-	15,186	24,011	-	39,197
Licenses and credit card fees	23,720	23,064	-	46,784	7,455	1,373	55,612
Postage	44,758	15,365	-	60,123	4,898	7,466	72,487
Office supplies	4,299	763	-	5,062	16,113	164	21,339
Donated services	9,577	1,750	-	11,327	-	-	11,327
Printing and design fees	127,500	29,728	-	157,228	1,137	8,405	166,770
Telephone	9,665	1,007	-	10,672	13,005	128	23,805
Advertising	26,154	1,010	-	27,164	-	29	27,193
Dues and subscriptions	14,172	4,645	-	18,817	3,842	356	23,015
Conference and meetings	245,024	9,481	-	254,505	10,014	2,719	267,238
Repairs, maintenance, and leases	67,921	4,688	-	72,609	15,723	1,135	89,467
Travel	16,696	-	-	16,696	10,802	864	28,362
Interest expense	-	-	-	-	676	-	676
Awards and scholarships	14,971	4,028	-	18,999	-	-	18,999
Miscellaneous	2,142	-	-	2,142	1,817	14	3,973
Bad debt expense	-	-	-	-	37,335	-	37,335
Rent	82,735	22,543	28	105,306	23,367	7,880	136,553
Depreciation and amortization	50,075	51,454	-	101,529	25,481	-	127,010
Total	<u>\$ 1,963,615</u>	<u>\$ 537,305</u>	<u>\$ 48,483</u>	<u>\$ 2,549,403</u>	<u>\$ 609,387</u>	<u>\$ 155,569</u>	<u>\$ 3,314,359</u>

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

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Public Education and Outreach	Membership and Chapter Services	Public Advocacy	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 1,073,568	\$ 192,400	\$ 1,737	\$ 1,267,705	\$ 85,445	\$ 100,477	\$ 1,453,627
Payroll taxes and benefits	200,393	43,434	218	244,045	29,486	10,970	284,501
Total salaries, taxes, and benefits	<u>\$ 1,273,961</u>	<u>\$ 235,834</u>	<u>\$ 1,955</u>	<u>\$ 1,511,750</u>	<u>\$ 114,931</u>	<u>\$ 111,447</u>	<u>\$ 1,738,128</u>
Professional fees	159,144	109,906	48,340	317,390	181,138	7,250	505,778
Insurance	-	14,451	-	14,451	23,806	-	38,257
Licenses and credit card fees	2,937	8,228	-	11,165	64,266	-	75,431
Postage	62,761	20,246	-	83,007	4,144	4,507	91,658
Office supplies	16,677	764	-	17,441	9,901	507	27,849
Donated services	-	29,708	-	29,708	48,686	-	78,394
Printing and design fees	140,068	40,184	-	180,252	689	12,795	193,736
Telephone	7,917	846	-	8,763	13,528	303	22,594
Advertising	47,705	130	-	47,835	3,681	-	51,516
Dues and subscriptions	12,637	1,183	-	13,820	183	-	14,003
Conference and meetings	213,346	11,880	-	225,226	17,399	4,794	247,419
Repairs, maintenance, and leases	61,527	4,107	-	65,634	18,407	434	84,475
Travel	23,357	2,204	-	25,561	17,692	2,424	45,677
Awards and scholarships	36,979	159	-	37,138	-	-	37,138
Miscellaneous	18,279	1,518	-	19,797	6,881	376	27,054
Rent	116,722	36,508	146	153,376	10,794	8,839	173,009
Depreciation and amortization	19,619	17,151	-	36,770	27,655	-	64,425
Total	<u>\$ 2,213,636</u>	<u>\$ 535,007</u>	<u>\$ 50,441</u>	<u>\$ 2,799,084</u>	<u>\$ 563,781</u>	<u>\$ 153,676</u>	<u>\$ 3,516,541</u>

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

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (824,399)	\$ (232,858)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	127,010	64,425
Loss on disposal of fixed assets	2,969	-
Net realized and unrealized gains	(34,408)	(27,657)
Changes in assets and liabilities:		
Accounts and grants receivable	118,057	(75,714)
Inventory	-	8
Prepaid expenses	52,074	84,008
Deposits	4,057	-
Accounts payable	63,375	(59,946)
Accrued expenses	(90,440)	44,336
Deferred revenue	(68,870)	(27,745)
Deferred rent	21,972	-
NET CASH USED IN OPERATING ACTIVITIES	\$ (628,603)	\$ (231,143)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	\$ (7,417)	\$ (129,412)
Proceeds from sales of investments	493,195	343,127
Purchases of property and equipment	(39,384)	(209,524)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 446,394	\$ 4,191
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	\$ 80,000	\$ -
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (102,209)	\$ (226,952)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	156,388	383,340
END OF YEAR	\$ 54,179	\$ 156,388
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 676	\$ -

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

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

Note 1. **Organization and Significant Accounting Policies**

Organization - CHADD - Children and Adults with Attention-Deficit/Hyperactivity Disorder (CHADD) is a non-profit organization formed to better the lives of individuals with attention deficit/hyperactivity disorder (ADHD) and those who care for them. Through family support and advocacy, public and professional education, and encouragement of scientific research, CHADD works to ensure that those with ADHD reach their inherent potential. The operations of CHADD are supported by membership dues, grants and contributions, conference activities, and sales of resource materials. CHADD also receives federal funding from the Centers for Disease Control and Prevention to establish and operate the National Resource Center on ADHD program.

Business Organization - The financial statements include the accounts of CHADD's national office. These statements do not include the accounts of CHADD's individual chapters.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recorded when earned and expenses recorded when incurred.

Basis of Presentation - Unconditional contributions and the associated gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CHADD and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions. The governing Board of CHADD may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of CHADD and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained by CHADD in perpetuity. At June 30, 2014 and 2013, there were no permanently restricted net assets.

Grants and Contributions - CHADD is in conformity with FASB codification topic *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value. Grants received from the federal government are recognized as revenue only to the extent of expenditures incurred.

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

Note 1. Organization and Significant Accounting Policies (Continued)

Revenue Recognition - Membership dues are recognized as revenue in the period in which the dues relate up to the value of the actual benefits received. Membership dues paid in excess of the actual benefits received are considered a contribution and are recorded as unrestricted membership dues revenue in the year received. Conference revenue is recognized in the year in which the event occurs. Payments received in advance of the conference are reported as deferred revenue. Publications income is recognized during the period in which the products are sold while advertising income from the magazine is recognized during the period in which the magazine is issued.

Statement of Cash Flows - For purposes of the statements of cash flows, CHADD considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. During the year ended June 30, 2014, CHADD disposed of fixed assets with a cost value of \$349,566 and accumulated depreciation of \$346,597 due to the relocation of the national office.

Investments - Investments in mutual funds and exchange traded funds are stated at fair value as determined by quoted market prices. The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the statements of activities. Interest income is reported when earned.

Fair Value Measurements - CHADD complies with FASB's Accounting Standards Codification topic *Fair Value Measurements*. This topic defines fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. |

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

Note 1. **Organization and Significant Accounting Policies (Continued)**

CHADD's investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Receivables - Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding items. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of June 30, 2014 and 2013, the allowance for doubtful accounts was \$0 and \$1,199, respectively.

Inventory - CHADD warehouses publications for purchase by members. Inventory consists of educational books and videos. Inventory is stated at cost, determined on a first-in, first-out basis.

Property and Equipment - Property and equipment is stated at cost or, if donated, at fair market value at date of receipt. CHADD capitalizes all expenditures in excess of \$1,000 for property and equipment. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from 3 to 5 years. Leasehold improvements are amortized over the lesser of the useful life or the remaining life of the lease agreement. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is credited or charged to income.

Donated Services - CHADD received donated professional services totaling \$11,327 and \$78,394 for the years ended June 30, 2014 and 2013, respectively. These amounts have been recognized as contributions and expenses in the Statements of Activities. The services were used for program activities, as well as management and general purposes for the years ended June 30, 2014 and 2013.

Functional Allocation of Expenses - The cost of CHADD's programs and administration has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Advertising - CHADD's policy is to expense advertising costs as the costs are incurred. Advertising costs for the years ended June 30, 2014 and 2013 were \$27,193 and \$51,516, respectively.

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

Note 1. Organization and Significant Accounting Policies (Continued)

Use of 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. Those estimates and assumptions affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Income Taxes - CHADD is recognized as a tax-exempt qualifying charity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, except for unrelated business income. No provision for federal or state income taxes has been made in the accompanying financial statements since the amount is not significant to the accompanying financial statements.

Accounting for Uncertain Tax Positions - CHADD complies with the provisions of FASB's Accounting Standards Codification topic *Accounting for Uncertainty in Income Taxes*. For the years ended June 30, 2014 and 2013, no unrecognized tax provision or benefit exists.

The Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending June 30, 2011 - 2013, is subject to review and examination by the Internal Revenue Service (IRS).

Note 2. Investments - The following tables present by level within the fair value hierarchy CHADD's investment assets at fair value as of June 30, 2014 and 2013. These investment assets consist of exchange traded funds and mutual funds, which had fair values of \$82,310 and \$533,680, respectively. At June 30, 2014 and 2013 fair values of the investments are based upon quoted prices in active markets which are considered Level 1 observable inputs.

	Fair Value Measurements at June 30,	
	Level 1 2014	Level 1 2013
Exchange traded funds	\$ 66,415	\$ 100,429
Mutual Funds:		
Equity funds	--	215,836
Bond funds	15,895	217,415
Totals	<u>\$ 82,310</u>	<u>\$ 533,680</u>

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

Note 2. Investments (Continued)

Investment income for the years ended June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Interest	\$ 9,251	\$ 13,753
Less: investment fees	<u>(3,143)</u>	<u>(2,669)</u>
Subtotal	<u>\$ 6,108</u>	<u>\$ 11,084</u>
Realized gains on investments	\$ 44,040	\$ 16,071
Unrealized gain (losses) on investments	<u>(9,632)</u>	<u>11,586</u>
Subtotal	<u>\$ 34,408</u>	<u>\$ 27,657</u>
Total Investment Income	<u>\$ 40,516</u>	<u>\$ 38,741</u>

Note 3. Property and Equipment - As of June 30, 2014 and 2013 property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Computer equipment and software	\$ 472,210	\$ 756,382
Office furniture and equipment	57,043	74,231
Leasehold improvements	<u>5,354</u>	<u>14,176</u>
Sub-totals	<u>\$ 534,607</u>	<u>\$ 844,789</u>
Less, Accumulated depreciation and amortization	<u>(312,654)</u>	<u>(532,241)</u>
Property and equipment, net	<u>\$ 221,953</u>	<u>\$ 312,548</u>

Depreciation and amortization expense was \$127,010 and \$64,425 for the years ended June 30, 2014 and 2013, respectively.

Note 4. Line of Credit - CHADD has a \$150,000 uncommitted, revolving line of credit due on demand, which is secured by CHADD's investment accounts. The line of credit was agreed upon in March 2012 and amended in February 2014. The Line of Credit terminates in March 2015. Interest accrues at various rates depending on duration and type (fixed or variable) of advance, but is generally based prime rate plus 1.5 percentage points. The outstanding balance under the line of credit as June 30, 2014 and 2013 was \$80,000 and \$0, respectively. On July 8, 2014, an additional \$70,000 was drawn down on the line of credit.

Note 5. Board Designated Net Assets - As of June 30, 2013, unrestricted net assets totaling \$133,779 designated by the Board of Directors for public outreach. These funds were utilized for programs during 2014.

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

Note 6. **Temporarily Restricted Net Assets** - Temporarily restricted net assets are available for the following purposes as of June 30:

	2014	2013
Purpose restricted:		
Education Initiative	\$ --	\$ 37,351
Young Scientists Research Fund	37,217	54,101
Summer Camp Scholarship	25,365	16,529
Public Outreach	--	91,016
Totals	\$ 62,582	\$ 198,997

Note 7. **Retirement Plan** - CHADD provides a deferred compensation plan for substantially all of its employees under Section 403(b) of the Internal Revenue Code. Under the terms of the plan, CHADD may match employee contributions up to 5% of compensation. There were no matching contributions for the years ended June 30, 2014 and 2013.

Note 8. **Commitments** - CHADD leased office space in Landover, Maryland under an operating lease requiring payments of approximately \$13,000 per month. The lease expired in December 2013. CHADD entered into a new operating lease for office space and storage in Lanham, Maryland requiring payments of approximately \$10,773 per month which includes a 3% escalation per year for office space. The lease term is for 5 years and 4 months. CHADD was granted 4 months of rent abatement which has resulted in a deferred rent liability of \$21,972 as of June 30, 2014. Rent expense is recognized on a straight-line basis and was \$136,553 and \$173,009 for the years ended June 30, 2014 and 2013, respectively.

In addition, CHADD has entered into three operating leases for office equipment which require monthly payments of approximately \$1,900 and expire at various times with the last expiration in February 2017. Equipment rental expense under the leases was \$23,780 and \$23,659, respectively for the years ended June 30, 2014 and 2013.

Future minimum operating lease payments for the years ended June 30 are due as follows:

	Equipment	Office Space	Total
2015	\$ 16,415	\$ 130,251	\$ 146,666
2016	12,792	132,243	145,035
2017	3,803	134,293	138,096
2018	--	136,405	136,405
2019	--	115,300	115,300
Totals	\$ 33,010	\$ 648,492	\$ 681,502

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014 AND 2013

- Note 9. **Chapter Operations** - As discussed in Note 1, the accompanying financial statements include only the accounts of CHADD's national office and not the accounts of its chapters. At June 30, 2014 and 2013, CHADD had approximately 172 chapters operating throughout the United States. In order to carry out the purposes of CHADD, certain chapters have their own bank account for depositing member dues and contributions and paying local operating expenses. During the course of the year CHADD's personnel reviews the financial activity and controls of the chapters. At June 30, 2014 and 2013, total cash and net assets from chapter operations, not included in the accompanying financial statements, was approximately \$278,154 and \$281,698, respectively. In addition, a portion of membership dues received by CHADD is remitted to chapters on a quarterly basis. Chapter revenue and expense for the year ended June 30, 2014 were \$107,225 and \$121,240 respectively. Chapter revenue and expense for the year ended June 30, 2013 were \$92,280 and \$72,916 respectively.
- Note 10. **Management's Strategy** - During the fiscal year ended June 30, 2014, CHADD changed its management team. The new management is similarly focused on CHADD's mission and goals. Multi-year strategies include the following: reinvesting in new member recruitment, building an internal capacity for more fundraising, expanding the federal grant program, and searching for major grantors. CHADD is also increasing service related programs such as Parent to Parent and Teacher to Teacher. These strategies are focused on increasing revenues to support the mission and program objectives, to improve the net assets, and to build reserves for CHADD's future programs. CHADD has also implemented significant cost-cutting measures to reduce occupancy costs and expenditures.
- Note 11. **Subsequent events** - CHADD evaluated subsequent events for potential required disclosure through October 14, 2014, which is the date financial statements were available to be issued.

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Employer I.D. # 59-2817697

<u>Federal Granting Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Centers for Disease Control and Prevention CHADD-Children and Adults with Attention-Deficit/ Hyperactivity Disorder, National Resource Center on ADHD	93.184	<u>\$ 743,355</u>

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

- Note 1. **Basis of Accounting** - The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of CHADD and is presented on the accrual basis of accounting.
- Note 2. **Basis of Presentation** - The information in this schedule is presented in accordance with the requirements of "US Office of Management and Budget" (OMB) Circular A-133", *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

INDEPENDENT AUDITORS' 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

Board of Directors
CHADD - Children and Adults with
Attention-Deficit/Hyperactivity Disorder
Lanham, MD

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 Children and Adults with Attention Deficit/Hyperactivity Disorder (CHADD) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CHADD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHADD's internal control. Accordingly, we do not express an opinion on the effectiveness of CHADD'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 CHADD's financial statements are free of 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 CHADD'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 CHADD's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Aquire, Lerdin + Company LLP

October 14, 2014



JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
CHADD - Children and Adults with
Attention-Deficit/Hyperactivity Disorder
Lanham, MD

Report on Compliance for Each Major Federal Program

We have audited Children and Adults with Attention Deficit/Hyperactivity Disorder's (CHADD) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on CHADD's major federal program for the year ended June 30, 2014. CHADD's major federal program is identified in the summary of auditors' 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 federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for CHADD's major program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 CHADD'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 the major federal program. However, our audit does not provide a legal determination of CHADD's compliance.

Opinion on Each Major Federal Program

In our opinion, CHADD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of CHADD 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 CHADD's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 CHADD'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 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 the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Squire, Lemkin + Company LLP

October 14, 2014

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified that are
 not considered to be material weakness(es)? Yes X No

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 that are
 not considered to be material weakness(es)? Yes X No

Type of auditors' report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with Section 510(a) of
 Circular A-133? Yes X No

Identification of Major Programs:

<u>CFDA Number(s)</u> 93.184	<u>Name of Federal Program or Cluster</u> National Resource Center on ADHD
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

**CHADD - CHILDREN AND ADULTS WITH
ATTENTION-DEFICIT/HYPERACTIVITY DISORDER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

B. Findings - Financial Statement Audit

None

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

None

D. Prior Year Audit Findings

None