

**Audited Financial Statements  
With Independent Auditors' Report**



**Pediatric Adolescent Diabetes Research and  
Education Foundation (PADRE Foundation)**

**As of and for the Year Ended June 30, 2012 with  
Summarized Information as of and for the Year  
Ended June 30, 2011**

*Audited Financial Statements  
With Independent Auditors' Report*



*Pediatric Adolescent Diabetes Research and Education Foundation  
(PADRE Foundation)*

*As of and for the Year Ended June 30, 2012 with Summarized  
Information as of and for the Year Ended June 30, 2011*

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Pediatrics Adolescent Diabetes Research and Education Foundation

We have audited the accompanying statement of financial position of the Pediatrics Adolescent Diabetes Research and Education Foundation ("PADRE") as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of PADRE's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized financial information has been derived from PADRE's June 30, 2011 financial statements and, in our report dated January 30, 2012, we expressed an unqualified opinion on those financial statements.

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. PADRE is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PADRE's internal control over financial reporting. Accordingly, we express no opinion on internal control. 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 PADRE as of June 30, 2012, 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.



HASKELL & WHITE LLP

April 22, 2013

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Statement of Financial Position**

**As of June 30, 2012**

*(With summarized financial information as of June 30, 2011)*

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 339,000	\$ 243,577
Grants receivable	<u>1,000</u>	<u>15,000</u>
Total assets	<u>\$ 340,000</u>	<u>\$ 258,577</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	<u>\$ 6,194</u>	<u>\$ 16,339</u>
Total liabilities	<u>6,194</u>	<u>16,339</u>
<b>Commitments and contingencies (Notes 3 and 4)</b>		
<b>Net assets</b>		
Unrestricted	270,659	159,212
Temporarily restricted	<u>63,147</u>	<u>83,026</u>
Total net assets	<u>333,806</u>	<u>242,238</u>
Total liabilities and net assets	<u>\$ 340,000</u>	<u>\$ 258,577</u>

See accompanying notes to the financial statements.

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Statement of Activities  
For the Year Ended June 30, 2012**

*(With summarized financial information for the year ended June 30, 2011)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>Revenue and support</b>				
Annual events	\$ 240,964	\$ -	\$ <b>240,964</b>	\$ 213,021
Donated goods and services	108,418	-	<b>108,418</b>	91,715
Contributions and grants	76,166	97,174	<b>173,340</b>	160,900
Interest and dividend income	-	-	-	930
Realized and unrealized gain on investments	-	-	-	12,989
	<u>425,548</u>	<u>97,174</u>	<u><b>522,722</b></u>	<u>479,555</u>
<b>Net assets released from restriction</b>	<u>117,053</u>	<u>(117,053)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>542,601</u>	<u>(19,879)</u>	<u><b>522,722</b></u>	<u>479,555</u>
<b>Expenses</b>				
Program expenses	134,902	-	<b>134,902</b>	173,603
Supporting activities	94,501	-	<b>94,501</b>	103,064
Fundraising expenses	201,751	-	<b>201,751</b>	135,218
Total expenses	<u>431,154</u>	<u>-</u>	<u><b>431,154</b></u>	<u>411,885</u>
<b>Increase (decrease) in net assets</b>	111,447	(19,879)	<b>91,568</b>	67,670
<b>Net assets, beginning of year</b>	<u>159,212</u>	<u>83,026</u>	<u><b>242,238</b></u>	<u>174,568</u>
<b>Net assets, end of year</b>	<u><u>\$ 270,659</u></u>	<u><u>\$ 63,147</u></u>	<u><u><b>\$ 333,806</b></u></u>	<u><u>\$ 242,238</u></u>

See accompanying notes to the financial statements.

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended June 30, 2012**

*(With summarized financial information for the year ended June 30, 2011)*

	<u>Program Expenses</u>	<u>Supporting Activities</u>	<u>Fundraising Expenses</u>	<u><b>Total 2012</b></u>	<u>Total 2011</u>
Equipment/facility rental	\$ 24,636	\$ 20,026	\$ 59,495	\$ <b>104,157</b>	\$ 79,771
Personnel expenses	31,386	11,941	36,345	<b>79,672</b>	123,922
Contract labor	17,210	12,917	14,615	<b>44,742</b>	26,700
Printing & postage	8,990	16,035	23,451	<b>48,476</b>	55,898
Office expenses & supplies	-	6,426	-	<b>6,426</b>	11,636
Catering	11,183	-	248	<b>11,431</b>	11,458
Professional fees	-	12,460	-	<b>12,460</b>	13,440
Event fees & supplies	36,136	-	59,077	<b>95,213</b>	54,255
Grant writing	-	-	8,000	<b>8,000</b>	8,000
Travel/automobiles	951	4,169	-	<b>5,120</b>	3,273
Scholarships	3,910	-	-	<b>3,910</b>	3,945
Other expenses	-	1,420	480	<b>1,900</b>	836
Insurance	-	1,191	-	<b>1,191</b>	2,679
Honorariums	500	113	40	<b>653</b>	11,659
Marketing	-	7,803	-	<b>7,803</b>	4,413
	<u>\$ 134,902</u>	<u>\$ 94,501</u>	<u>\$ 201,751</u>	<u>\$ <b>431,154</b></u>	<u>\$ 411,885</u>

See accompanying notes to the financial statements.

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Statement of Cash Flows  
For the Year Ended June 30, 2012**

*(With summarized financial information for the year ended June 30, 2011)*

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 91,568	\$ 67,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	-	(12,989)
Increase (decrease) in cash and cash equivalents from changes in:		
Grants receivable	14,000	(15,000)
Accounts payable	<u>(10,145)</u>	<u>(11,908)</u>
<b>Net cash provided by operating activities</b>	<u>95,423</u>	<u>27,773</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	<u>-</u>	<u>94,137</u>
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>94,137</u>
<b>Net increase in cash and cash equivalents</b>	<b>95,423</b>	121,910
<b>Cash and cash equivalents, beginning of year</b>	<u>243,577</u>	<u>121,667</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 339,000</u></u>	<u><u>\$ 243,577</u></u>

See accompanying notes to the financial statements.

# PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION

## Notes to Financial Statements Year Ended June 30, 2012

### 1. Purpose and Nature of Activities

The PADRE Foundation (the “Organization” or “PADRE”), a nonprofit corporation, was formed to fund educational programs, events, and physical and emotional support groups for those with juvenile diabetes and their families.

The Organization is not a private foundation as defined by the U.S. tax Code of 1986, which imposes excise taxes on net investment income of all private foundations, but has qualified for tax-exempt status under Section 501(c)(3) of the United States Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

### 2. Summary of Significant Account Policies

#### *Basis of Accounting*

The Organization presents its financial statements in accordance with Accounting Standards Codification (ASC) 958, “Financial Statements for Not-for-Profit Organizations”. Accordingly, the Organization recognizes revenues when earned, and contributions, including unconditional promises to give, when received. Expenses are recognized when the obligation is incurred.

The Organization reflects net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as “unrestricted,” “temporarily restricted,” and “permanently restricted,” as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions and are available to support general operations.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that require the passage of time, or the occurrence of a specific event. Temporarily restricted contributions that are received and whose restrictions are satisfied in the same year as related funds are expended are reported as unrestricted contributions.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that the principal be maintained in perpetuity and invested for the purposes of producing present and future income for unrestricted use by the Organization. The Organization currently has no permanently restricted net assets.

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Notes to Financial Statements (continued)  
Year Ended June 30, 2012**

**2. Summary of Significant Account Policies (continued)**

*Use of Estimates*

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent Events*

The Organization has evaluated all subsequent events that occurred through April 22, 2013, the date the financial statements were available to be issued.

*Cash and Cash Equivalents*

The Organization considers cash equivalents to be highly liquid investments with maturities of three months or less when acquired.

*Concentration of Credit Risk*

The Organization deposits its funds in financial institutions that are considered by management to be of high-credit quality. At times, balances in cash accounts may exceed the Federal Deposit Insurance Corporation insurable limit of \$250,000.

*Property and Equipment*

Property and equipment are carried at cost. Depreciation is provided on the straight-line method over an estimated useful life of 3 to 5 years for office equipment. All the property and equipment of the Organization is fully depreciated as of June 30, 2012.

*Contributions*

Unrestricted contributions and unconditional promises to give are recorded as receivables at their estimated fair value and recognized as revenue by net asset class when they are received. Conditional promises to give are recognized as revenues when all conditions on which they depend are substantially met.

**PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

**Notes to Financial Statements (continued)  
Year Ended June 30, 2012**

**2. Summary of Significant Account Policies (continued)**

*Program Services*

The Organization accounts for its program services in the following categories:

- Education
- Conferences
- Other Programs

*Donated Goods, Services, Facilities and Equipment*

From time to time, the Organization receives donated goods and services. Donated non-cash assets and goods are recorded at their estimated fair market values in the period received. In fiscal year 2012 and 2011, \$120,418 and \$91,715, respectively were donated in non-cash goods and services such as facilities and equipment rentals, postage, copies, silent auction items and professional services to the Organization. For the year ended June 30, 2012 and 2011, donated goods, services, facilities and equipment were comprised of the following by functional category:

	<b>2012</b>	<b>2011</b>
Program	\$ 20,895	\$ 3,200
Supporting	32,835	44,616
Fundraising	54,688	43,899
	<u>\$ 108,418</u>	<u>\$ 91,715</u>

*Functional Allocation of Expenses*

The cost of providing various programs and supporting activities has been presented on a functional basis in the accompanying Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting activities based on actual usage and estimates made by management.

**3. Relationship with Children’s Hospital of Orange County (CHOC)**

On March 1, 2000, and amended most recently on July 1, 2011, the Foundation entered into an agreement with Children’s Hospital Foundation of Orange County (CHFOC), currently known as CHOC Foundation d.b.a. CHOC Children’s Foundation, and Children’s Hospital of Orange County (CHOC), currently known as Children’s Hospital of Orange County, d.b.a. CHOC Children’s Orange. Key points of the agreement are as follows:

# **PEDIATRICS ADOLESCENT DIABETES RESEARCH AND EDUCATION FOUNDATION**

## **Notes to Financial Statements (continued) Year Ended June 30, 2012**

### **3. Relationship with Children's Hospital of Orange County (continued)**

- The Organization retained CHOC to provide management services for raising charitable funds for programs and services. CHOC has the exclusive rights to provide said services to the Foundation. CHOC shall provide the Organization a management team under the leadership of CHOC, designated by CHOC and consisting of an executive director and other support staff as needed. The Organization has the responsibility to CHOC for all direct and allocated indirect cost for the management team.
- The Organization's management team shall oversee the day-to-day management and operation of the Foundation. CHOC shall provide without charge, adequate office space and access to other support functions as required to perform under the agreement (supplies and copying up to \$8,000 per year, and postage and shipping up to \$20,000 per year). For the years ended June 30, 2012 and 2011, PADRE used \$8,000 and \$8,000, respectively, in printing and postage costs.
- CHFOC will designate one ex-officio position on its board of directors for the Foundation chairman or his/her designee. The Foundation president will attend meetings of the CHFOC board of directors as required by the bylaws of CHFOC and shall report on the Foundation's activities and matters related to the agreement.
- The Organization's management team are employees of CHOC and are subject to the same expectations and requirements of all employees who are located in CHOC. The Foundation's board of directors shall conduct and participate in the annual performance and salary review of the Organization's director in accordance with current CHOC policy.
- The Organization shall pay CHOC an amount equal to one hundred percent (100%) of the direct costs of CHOC in providing services including salaries, benefits and payroll taxes of CHOC employees attributable to the management team, all travel expenses, and expenses for professional and educational seminars and conferences. Any additional use (if necessary) of CHOC staff will be charged at actual cost. CHOC retains all responsibility of managing and paying all benefits and compensation liabilities. For the years ended June 30, 2012 and 2011, PADRE reimbursed CHOC \$78,347 and \$123,922, respectively, for payroll costs.
- The initial term of the agreement was for a period of three years commencing March 1, 2000 and ending on February 28, 2003, with automatically renewal for two additional successive one year terms. The Organization and CHOC has subsequently extended the term of the agreement with Amendment No. 1, 2, 3, 4 and 5 through December 31, 2011. The Foundation has the ability to terminate the agreement by providing a written notice of its intent not to renew at least one hundred and eighty (180) days prior to the end of the term. As of the date of this report, the Foundation and CHOC were in process of extending the term of the agreement with similar terms and have been operating under the terms of the 2011 agreement.