

Audited Consolidated Financial Statements

**INFECTIOUS DISEASES SOCIETY
OF AMERICA AND AFFILIATE**

December 31, 2014

Infectious Diseases Society of America and Affiliate

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TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor’s Report on the Consolidated Financial Statements

To the Board of Directors
Infectious Diseases Society of America and Affiliate

We have audited the accompanying consolidated financial statements of Infectious Diseases Society of America and Affiliate (collectively referred to as the Organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated 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 Organization’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Infectious Diseases Society of America and Affiliate as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Infectious Diseases Society of America and Affiliate

Consolidated Statements of Financial Position

	December 31,					2013 Total
	2014				Total	
	IDSA	Foundation	Eliminations	Total		
Assets						
Cash and cash equivalents	\$ 1,941,661	\$ 370,309	\$ -	\$ 2,311,970	\$ 432,709	
Investments	30,638,407	249,245		30,887,652	29,732,581	
Accounts receivable	2,189,882	10,015		2,199,897	1,294,439	
Pledges receivable				-	179,394	
Due from related entity	645,283		(645,283)	-	-	
Prepaid expenses	218,487			218,487	257,666	
Deferred compensation plan assets	6,441			6,441	131,638	
Property and equipment, net	581,534			581,534	746,071	
Deposits	57,733			57,733	57,733	
Total assets	\$ 36,279,428	\$ 629,569	\$ (645,283)	\$ 36,263,714	\$ 32,832,231	
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 1,880,048	\$ 44,000	\$ -	\$ 1,924,048	\$ 1,775,420	
Due to related entity		645,283	(645,283)	-	-	
Deferred revenue	6,960,023			6,960,023	6,266,388	
Deferred compensation liabilities	6,441			6,441	131,638	
Deferred rent	167,602			167,602	235,393	
Total liabilities	9,014,114	689,283	(645,283)	9,058,114	8,408,839	
Net assets						
Unrestricted	27,225,314	(609,899)		26,615,415	23,675,527	
Temporarily restricted	40,000	550,185		590,185	747,865	
Total net assets	27,265,314	(59,714)		27,205,600	24,423,392	
Total liabilities and net assets	\$ 36,279,428	\$ 629,569	\$ (645,283)	\$ 36,263,714	\$ 32,832,231	

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Activities

	December 31,				2013 Total
	2014			Total	
	IDSA	Foundation	Eliminations		
Unrestricted activities					
Journals	\$ 7,043,851	\$ -	\$ -	\$ 7,043,851	\$ 6,020,898
Annual meeting	5,966,268			5,966,268	5,690,366
Membership	2,485,843	236,980		2,722,823	2,434,369
Management services	1,034,833			1,034,833	950,424
Other committees and groups	797,312			797,312	871,533
HIVMA	48,633			48,633	20,431
Interest income	9,814	254		10,068	16,887
Contribution from related entity		636,714	(636,714)	-	-
Net assets released from restrictions	170,499	622,781		793,280	1,013,296
Total unrestricted revenue and support	17,557,053	1,496,729	(636,714)	18,417,068	17,018,204
Expense					
Program services					
Annual meeting	4,144,495			4,144,495	3,904,523
Journals	2,515,969			2,515,969	2,360,540
Membership	1,705,517			1,705,517	1,632,486
Management services	1,231,716			1,231,716	1,140,191
Other committees and groups	1,003,734			1,003,734	1,211,442
HIVMA	750,384	288,889		1,039,273	1,020,406
Policy and government relations	747,651			747,651	729,199
Guidelines development	735,369			735,369	630,617
Global ID		620,537		620,537	613,750
Other meetings	511,052	16,032		527,084	521,597
Awards and fellowships	30,364	256,073		286,437	314,383
Emerging infections network	191,225			191,225	278,158
AHRQ HHS Grant	70,688			70,688	63,833
Contribution from related entity	636,714		(636,714)	-	-
Total program services	14,274,878	1,181,531	(636,714)	14,819,695	14,421,125
Supporting services					
General and administrative	1,054,624	122,771		1,177,395	1,364,470
Governance	780,157			780,157	864,032
Total supporting services	1,834,781	122,771	-	1,957,552	2,228,502
Total expense	16,109,659	1,304,302	(636,714)	16,777,247	16,649,627
Change in unrestricted net assets before net gain on investments	1,447,394	192,427	-	1,639,821	368,577
Net gain on investments	1,300,067			1,300,067	3,709,346
Change in unrestricted net assets	2,747,461	192,427	-	2,939,888	4,077,923
Temporarily restricted activities					
Contributions / interest	95,750	539,850		635,600	540,755
Net assets released from restrictions	(170,499)	(622,781)		(793,280)	(1,013,296)
Change in temporarily restricted net assets	(74,749)	(82,931)	-	(157,680)	(472,541)
Change in net assets	2,672,712	109,496	-	2,782,208	3,605,382
Net assets, beginning of year	24,592,602	(169,210)	-	24,423,392	20,818,010
Net assets, end of year	\$ 27,265,314	\$ (59,714)	\$ -	\$ 27,205,600	\$ 24,423,392

See notes to the consolidated financial statements.

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 2,782,208	\$ 3,605,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	312,727	306,395
Net gain on investments	(1,300,067)	(3,709,346)
Loss on disposal of property	2,092	3,380
Changes in assets and liabilities:		
Accounts receivable	(905,458)	267,524
Pledges receivable	179,394	72,771
Prepaid expenses	39,179	(11,638)
Accounts payable and accrued expenses	148,628	(29,832)
Deferred revenue	693,635	(8,408)
Deferred rent	(67,791)	(23,968)
Total adjustments	(897,661)	(3,133,122)
Net cash provided by operating activities	1,884,547	472,260
Cash flows from investing activities		
Proceeds from sales of investments	21,496,569	14,281,440
Purchases of investments	(21,351,573)	(14,377,666)
Purchases of property and equipment	(150,282)	(102,352)
Net cash used in investing activities	(5,286)	(198,578)
Net increase in cash and cash equivalents	1,879,261	273,682
Cash, beginning of year	432,709	159,027
Cash, end of year	\$ 2,311,970	\$ 432,709

See notes to the consolidated financial statements.

Infectious Diseases Society of America and Affiliate

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Infectious Diseases Society of America (IDSA) was incorporated in 1970 under the laws of the District of Columbia as a not-for-profit corporation. IDSA is an organization of physicians, doctoral-level scientists, and other health care professionals from around the world. It exists to promote and recognize excellence in research, patient care, public health, disease prevention, and education in the field of infectious diseases and associated disciplines.

The IDSA Education and Research Foundation (the Foundation) was incorporated in 2001 under the laws of the state of Virginia as a not-for-profit corporation. The Foundation is a charitable organization dedicated to supporting IDSA's education and research mission worldwide by funding initiatives in infectious diseases research and prevention and career development.

Principles of consolidation: As required by generally accepted accounting principles, the consolidated financial statements include the accounts of IDSA and the Foundation (collectively referred to as the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income taxes: IDSA is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation.

The Organization believes that it has appropriate support for any tax positions taken and therefore does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns are generally subject to examination by the Internal Revenue Service and state and local taxing authorities for three years after they were filed.

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when the underlying obligations are incurred.

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 that affect the reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Organization considers all highly liquid investments purchased with a maturity of three months or less that are not held by investment custodians to be cash equivalents.

Accounts receivable: Accounts receivable consists primarily of amounts owed for publication royalties, receivable balances from related entities, and meeting activities. Accounts receivable are presented at the gross, or face, amount due to the Organization. Management periodically reviews the status of all accounts receivable balances for collectability. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debt had been recorded.

Pledges receivable: The Organization recognizes unconditional promises to give as pledges receivable and contribution revenue in the period in which the Organization is notified by the donor of a commitment to make a contribution. The receivable is recorded at its net present value based on the risk-free rate of return.

Infectious Diseases Society of America and Affiliate

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred revenue: Deferred dues consist of membership, journals, and meeting amounts received in advance of the period in which they are earned.

Net assets: For financial statement purposes, net assets are as follows:

Unrestricted: Represents the portion of net assets whose use is not restricted by donors. They are available for the general operations of the Organization.

Temporarily restricted: Represents the portion of net assets that have been restricted by donors to fund various awards programs and overseas initiatives, or the passage of time (see Note E).

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period. All other donor-restricted support is reported as an increase in temporarily restricted net assets. Temporarily restricted support is reclassified to unrestricted net assets when restrictions are satisfied.

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, indirect expenses have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through May 15, 2015, which is the date the consolidated statements are available to be issued.

B. CREDIT AND MARKET RISK

Credit risk: The Organization maintains demand deposit accounts with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization also invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. Thus, the Organization's investments may be subject to significant fluctuation in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Infectious Diseases Society of America and Affiliate

Notes to the Consolidated Financial Statements

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data; and

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following is a summary of the input levels used to determine fair values of assets measured at fair value on a recurring basis, at December 31:

2014	Total	Level 1	Level 2	Level 3
Common stock	\$ 7,609,421	\$ 7,609,421	\$ -	\$ -
Mutual funds	17,251,093	17,251,093		
Investments carried at fair value	\$ 24,860,514	\$ 24,860,514	\$ -	\$ -
Certificates of deposit*	5,685,032			
Money markets*	342,106			
Total Investments	\$ 30,887,652			
2013	Total	Level 1	Level 2	Level 3
Common stock	\$ 7,944,871	\$ 7,944,871	\$ -	\$ -
Mutual funds	15,898,251	15,898,251	-	-
Investments carried at fair value	\$ 23,843,122	\$ 23,843,122	\$ -	\$ -
Certificates of deposit*	5,691,914			
Money markets*	197,545			
Total Investments	\$ 29,732,581			

*Investments recorded at cost include certificates of deposit and money market funds. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

All investments were valued using the market approach. There were no changes in the valuation techniques during the year ended December 31, 2014.

Infectious Diseases Society of America and Affiliate

Notes to the Consolidated Financial Statements

C. INVESTMENTS - CONTINUED

Investment income consists of the following for the years ended December 31:

	2014	2013
Interest and dividend income	\$ 10,470	\$ 17,412
Net gain on investments	<u>1,300,067</u>	<u>3,709,346</u>
Total net investment income	<u>\$ 1,310,537</u>	<u>\$ 3,726,758</u>

Investment management fees totaled \$138,046 and \$115,972 for the years ended December 31, 2014 and 2013, respectively.

D. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than or equal to \$1,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets (three to ten years). Leasehold improvements are recorded at cost and amortized over the remaining term of the lease. Property and equipment consist of the following at December 31:

	2014	2013
Furniture and equipment	\$ 591,867	\$ 591,708
Software	1,694,138	1,583,208
Leasehold improvements	<u>28,330</u>	<u>28,330</u>
	2,314,335	2,203,246
Less accumulated depreciation	<u>(1,732,801)</u>	<u>(1,457,175)</u>
	<u>\$ 581,534</u>	<u>\$ 746,071</u>

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Activities

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activities consist of the following for the years ended:

	December 31, 2013	Contributions and Interest	Release from restrictions	December 31, 2014
Foundation Minority Fellowship program	\$ 332,271	\$ 200,000	\$ (196,525)	\$ 335,746
Pandemic influenza meeting	114,749	-	(114,749)	-
ACA Grant	92,544	50,000	(73,446)	69,098
CW Clinician awards	90,030	281	(1,500)	88,811
Foundation awards	61,000	62,000	(123,000)	-
Educational Compendium Support	49,488	2,500	(18,918)	33,070
Korzenowski overseas mission	6,804	10	-	6,814
Wolinsky JID/CID awards	979	1	(980)	-
FPOS Education Grant	-	40,000	-	40,000
CFG Funding	-	225,058	(208,412)	16,646
Clinical Fellows meeting	-	55,750	(55,750)	-
	\$ 747,865	\$ 635,600	\$ (793,280)	\$ 590,185

	December 31, 2012	Contributions and Interest	Release from restrictions	December 31, 2013
Foundation Minority Fellowship program	\$ 331,734	\$ 121,358	\$ (120,821)	\$ 332,271
Pandemic influenza meeting	508,765	-	(394,016)	114,749
ACA Grant	-	99,250	(6,706)	92,544
CW Clinician awards	93,863	254	(4,087)	90,030
Foundation awards	124,166	87,835	(151,001)	61,000
Educational Compendium Support	72,604	7,900	(31,016)	49,488
Korzenowski overseas mission	6,785	19	-	6,804
Wolinsky JID/CID awards	1,974	5	(1,000)	979
CFG Funding	80,515	187,384	(267,899)	-
Clinical Fellows meeting	-	36,750	(36,750)	-
	\$ 1,220,406	\$ 540,755	\$ (1,013,296)	\$ 747,865

F. JOURNALS

In January 2010, IDSA entered into a ten year agreement with Oxford University Press to publish *The Journal of Infectious Diseases* and the journal entitled *Clinical Infectious Diseases*. For the years ended December 31, 2014 and 2013, royalties earned from the Oxford University Press totaled \$7,043,851 and \$6,020,898, respectively.

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Activities

G. RELATED PARTY TRANSACTIONS

Society for Healthcare Epidemiology of America, Inc. (SHEA): In January 2014, IDSA entered into an agreement with SHEA, a nonprofit corporation exempt under Section 501(c)(6) of the Internal Revenue Code, to continue to provide facilities and management and administrative services through 2016. SHEA reimburses IDSA at cost for all salary and benefits of the SHEA professional staff paid by IDSA. Total revenue related to these services for the years ended December 31, 2014 and 2013 totaled \$833,069 and \$753,561, respectively. SHEA owed IDSA \$248,872 and \$198,845 as of December 31, 2014 and 2013, respectively.

Pediatric Infectious Diseases Society (PIDS): Effective September 1, 1998, IDSA entered into an agreement with PIDS, a not-for-profit organization exempt under Section 501(c)(6) to provide administrative services. Under the terms of this agreement, PIDS reimburses IDSA for management and administrative services. Total revenue related to this agreement for the years ended December 31, 2014 and 2013 totaled \$201,764 and \$196,863, respectively. PIDS owed IDSA \$107,838 and \$104,911 as of December 31, 2014 and 2013, respectively.

ID Week: SHEA and IDSA signed agreements to co-host the ID Week annual meeting held in October through 2019. PIDS signed an agreement to be a co-organizer of the event through 2014. Based on the agreements and net profits from the event, SHEA and PIDS were due royalties for the year ended December 31, 2014 totaling \$296,911 and \$84,700, respectively. These amounts are included in accounts payable.

IC Course: In 2014 and 2013, SHEA and IDSA co-hosted IC Course. Based on the agreement and net profits from the event, SHEA was due royalties of \$8,340 and \$20,054 for the years ended December 31, 2014 and 2013, respectively. These amounts are included in accounts payable.

H. RETIREMENT PLANS

401(k) retirement plan:

Employees are eligible to join IDSA's 401(k) plan after six months of employment. IDSA provided a contribution equal to 3.5% of the employee's annual salary for the years ended December 31, 2014 and 2013. In addition, the employee may contribute to the plan and IDSA will match up to 2% of the employee contribution, or up to the limits of the law, with a vesting period of three years. IDSA's contributions to the plan totaled \$254,050 and \$236,615, for the years ended December 31, 2014 and 2013, respectively.

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Activities

H. RETIREMENT PLANS – CONTINUED

457(f) deferred compensation plan:

IDSA established a 457(f) non-qualified deferred compensation plan for certain management or highly compensated employees. IDSA may make a contribution on behalf of one or more employees participating in the plan. IDSA funded the plan with a \$25,000 contribution for both of the years ended December 31, 2014 and 2013. These contributions were used to purchase a variety of mutual funds, which are valued using Level 1 inputs (as defined by Note C).

The deferred compensation asset and corresponding liability total \$6,441 and \$131,638 at December 31, 2014 and 2013, respectively.

I. COMMITMENTS AND CONTINGENCIES

Future meeting sites: IDSA has contracts with various hotels for future meetings. In the event that IDSA cancels, it can be held liable for liquidated damages incurred by the burdened entity as calculated in accordance with the terms of the respective agreement, less any insurance proceeds.

Federal grant: IDSA participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the Federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Arlington office lease: In March 2014, IDSA amended its operating lease for office space in Arlington, VA extending the lease term to May 2020. The lease provides for base rental payments which increase at 3% annually and additional rent based on increases in operating expenses. IDSA received certain incentives in connection with the lease, which are being amortized over the lease term on a straight-line basis. The unamortized portions of these incentives are reported as deferred rent in the statements of financial position.

Boston office lease: In January 2011, IDSA assumed the office lease of the University of Chicago through August 2012. In September 2012, IDSA amended the lease to extend the term of the lease until December 2017. The lease provides for a base rental payment which increases annually at \$1 per square foot. On June 23, 2014, IDSA entered into a lease termination agreement for the office lease effective June 30, 2014.

Rent expense is recognized on a straight-line basis over the term of the leases and totaled \$691,733 and \$851,708, for the years ended December 31, 2014 and 2013, respectively.

Infectious Diseases Society of America and Affiliate

Consolidated Statements of Activities

I. COMMITMENTS AND CONTINGENCIES - CONTINUED

Office sublease: During March 2011 IDSA entered into a sublease agreement with Tully Rinckey, LLC for three years beginning May 1, 2011. In February 2014, the sublease was extended until May 31, 2015. The sublease provides for base monthly rental payments which increase annually per the sublease agreement and additional rent based on increases in operating expenses.

Rental income, net of amortized leasing commissions, was \$138,984 and \$135,726 for the years ending December 31, 2014 and 2013, respectively.

Future minimum lease payments and sublease receipts are as follows:

Year Ending December 31,	Gross Payments	Sublease Receipts	Net
2015	\$ 901,531	\$ (64,707)	\$ 836,824
2016	928,297	-	928,297
2017	874,808	-	874,808
2018	947,323	-	947,323
2019	1,003,542	-	1,003,542
thereafter	426,262	-	426,262
	<u>\$ 5,081,763</u>	<u>\$ (64,707)</u>	<u>\$ 5,017,056</u>