Audited Consolidating Financial Statements

INFECTIOUS DISEASES SOCIETY OF AMERICA AND AFFILIATE

December 31, 2015

Infectious Diseases Society of America and Affiliate

Contents

TATE
&
TRYON
A Professional Corporation
Certified Public Accountants and Consultants
2021 L Street, NW
Suite 400
Washington, DC
20036
Telephone
202/293-2200
Facsimile
202/293-2208
www.tatetryon.com

Independent Auditor's Report

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

We have audited the accompanying consolidating financial statements of Infectious Diseases Society of America and Affiliate (collectively referred to as the Organization) which comprise the consolidating statement of financial position as of December 31, 2015, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 2015 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Infectious Diseases Society of America and Affiliate as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and our report dated May 15, 2015, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tate & Tryon

Washington, DC
May 6, 2016

Infectious Diseases Society of America
and Affiliate

Consolidating Statement of Financial Position
December 31, 2015 with 2014 Totals

	2015				2014
	IDSA	Foundation	Eliminations	Total	Total
Assets					
Cash and cash equivalents	$ 458,344	$ 720,764	$ -	**$ 1,179,108**	**$ 2,311,970**
Investments	30,711,185	250,559		**30,961,744**	**30,887,652**
Accounts receivable	2,548,715	87,500		**2,636,215**	**1,843,187**
Due from Foundation	1,322,653		(1,322,653)	**-**	**-**
Prepaid expenses	214,633			**214,633**	**218,487**
Deferred compensation plan assets	-			**-**	**6,441**
Property and equipment, net	897,898			**897,898**	**581,534**
Deposits	57,733			**57,733**	**57,733**
Total assets	$ 36,211,161	$ 1,058,823	$ (1,322,653)	**$ 35,947,331**	**$ 35,907,004**

	2015				2014
	IDSA	Foundation	Eliminations	Total	Total
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 1,602,239	$ 338,128	$ -	**$ 1,940,367**	**$ 1,534,097**
Due to IDSA		1,322,653	(1,322,653)	**-**	**-**
Due to SHEA	183,796			**183,796**	**56,379**
Due to/(from) PIDS	7,185			**7,185**	**(23,138)**
Deferred revenue	4,427,273	30,000		**4,457,273**	**6,960,023**
Deferred compensation liabilities	-			**-**	**6,441**
Deferred rent	208,335			**208,335**	**167,602**
Total liabilities	6,428,828	1,690,781	(1,322,653)	**6,796,956**	**8,701,404**
Net assets					
Unrestricted	29,782,333	(1,091,417)		**28,690,916**	**26,615,415**
Temporarily restricted	-	459,459		**459,459**	**590,185**
Total net assets	29,782,333	(631,958)		**29,150,375**	**27,205,600**
Total liabilities and net assets	$ 36,211,161	$ 1,058,823	$ (1,322,653)	**$ 35,947,331**	**$ 35,907,004**

Infectious Diseases Society of America and Affiliate

Consolidating Statement of Activities
Year Ended December 31, 2015 with 2014 Totals

	2015				2014
	IDSA	**Foundation**	**Eliminations**	**Total**	**Total**
Unrestricted activities					
Journals	$ 7,806,433	$ -	$ -	**$ 7,806,433**	**$ 7,043,851**
Annual meeting	6,617,601			**6,617,601**	**5,966,268**
Membership	2,675,947			**2,675,947**	**2,533,458**
Management services	1,108,396			**1,108,396**	**1,034,833**
Other committees and groups	763,556			**763,556**	**797,312**
Contributions		180,472		**180,472**	**189,365**
HIVMA	88,220			**88,220**	**48,633**
Contribution from IDSA		59,714	(59,714)	**-**	**-**
Net assets released from restrictions	283,750	819,725		**1,103,475**	**793,280**
Total unrestricted revenue and support	19,343,903	1,059,911	(59,714)	**20,344,100**	**18,407,000**
Expense					
Program services					
Annual meeting	4,487,837			**4,487,837**	**4,144,495**
Journals	2,475,701			**2,475,701**	**2,515,969**
Membership	1,718,948			**1,718,948**	**1,705,517**
Management services	1,446,312			**1,446,312**	**1,231,716**
HIVMA	1,058,912	366,384		**1,425,296**	**1,039,273**
Other committees and groups	1,299,046			**1,299,046**	**1,003,734**
Policy and government relations	780,664			**780,664**	**747,651**
Guidelines development	770,823			**770,823**	**735,369**
Global ID		637,338		**637,338**	**620,537**
Other meetings	480,616	11,475		**492,091**	**527,084**
Awards and fellowships	21,688	435,380		**457,068**	**286,437**
Emerging infections network	300,519			**300,519**	**191,225**
AHRQ HHS Grant	44,814			**44,814**	**70,688**
Contribution to Foundation	59,714		(59,714)	**-**	**-**
Total program services	14,945,594	1,450,577	(59,714)	**16,336,457**	**14,819,695**
Supporting services					
General and administrative	1,185,511	94,164		**1,279,675**	**1,177,395**
Governance	982,166			**982,166**	**780,157**
Total supporting services	2,167,677	94,164	-	**2,261,841**	**1,957,552**
Total expense	17,113,271	1,544,741	(59,714)	**18,598,298**	**16,777,247**
Change in unrestricted net assets before net gain on investments	2,230,632	(484,830)	-	**1,745,802**	**1,629,753**
Net investment income	326,387	3,312		**329,699**	**1,310,135**
Change in unrestricted net assets	2,557,019	(481,518)	-	**2,075,501**	**2,939,888**
Temporarily restricted activities					
Contributions and interest	243,750	728,999		**972,749**	**635,600**
Net assets released from restrictions	(283,750)	(819,725)		**(1,103,475)**	**(793,280)**
Change in temporarily restricted net assets	(40,000)	(90,726)	-	**(130,726)**	**(157,680)**
Change in net assets	2,517,019	(572,244)	-	**1,944,775**	**2,782,208**
Net assets, beginning of year	27,265,314	(59,714)	-	**27,205,600**	**24,423,392**
Net assets, end of year	$ 29,782,333	$ (631,958)	$ -	**$ 29,150,375**	**$ 27,205,600**

Consolidating Statements of Cash Flows
Year Ended December 31, 2015 and 2014 Totals

	2015				2014
Year Ended December 31,	**IDSA**	**Foundation**	**Eliminations**	**Total**	**Total**
Cash flows from operating activities					
Change in net assets	$ 2,517,019	$ (572,244)	$ -	**$ 1,944,775**	$ 2,782,208
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Depreciation and amortization	296,485			**296,485**	312,727
Net gain on investments	(287,554)			**(287,554)**	(1,300,067)
Loss on disposal of property				**-**	2,092
Changes in assets and liabilities:					
Accounts receivable	(715,543)	(77,485)		**(793,028)**	(900,685)
Due from Foundation	(677,370)		677,370	**-**	-
Pledges receivable				**-**	179,394
Prepaid expenses	3,854			**3,854**	39,179
Accounts payable and accrued expenses	112,142	294,128		**406,270**	114,149
Due to IDSA		677,370	(677,370)	**-**	-
Due to SHEA	127,417			**127,417**	34,479
Due to/from PIDS	30,323			**30,323**	(4,773)
Deferred revenue	(2,532,750)	30,000		**(2,502,750)**	693,635
Deferred rent	40,733			**40,733**	(67,791)
Total adjustments	(3,602,263)	924,013	-	**(2,678,250)**	(897,661)
Net cash (used in) provided by operating activities	(1,085,244)	351,769	-	**(733,475)**	1,884,547
Cash flows from investing activities					
Proceeds from sales of investments	34,044,735	125,000		**34,169,735**	21,496,569
Purchases of investments	(33,829,959)	(126,314)		**(33,956,273)**	(21,351,573)
Purchases of property and equipment	(612,849)			**(612,849)**	(150,282)
Net cash used in investing activities	(398,073)	(1,314)	-	**(399,387)**	(5,286)
Net (decrease) increase in cash and cash equivalents	(1,483,317)	350,455	-	**(1,132,862)**	1,879,261
Cash, beginning of year	1,941,661	370,309	-	**2,311,970**	432,709
Cash, end of year	$ 458,344	$ 720,764	$ -	**$ 1,179,108**	$ 2,311,970

See notes to the consolidating 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: The consolidating 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.

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.

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

A. Organization and Summary of Significant Accounting Policies – Continued

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.

Prior year summarized information: The notes to the consolidating financial statements include certain prior-year summarized comparative information in total but not by net asset class. The summarized prior year information in the notes does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent events: Subsequent events have been evaluated through May 6, 2016, which is the date the consolidating 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.

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:

2015	Total	Level 1	Level 2	Level 3
Equities	$ 16,243,221	$ 16,243,221	$ -	$ -
Fixed Income	7,913,720	7,913,720		
Investments carried at fair value	$ 24,156,941	$ 24,156,941	$ -	$ -
Certificates of deposit*	5,605,473			
Money markets*	1,199,330			
Total Investments	**$ 30,961,744**			

2014	Total	Level 1	Level 2	Level 3
Equities	$ 16,383,552	$ 16,383,552	$ -	$ -
Fixed Income	8,476,962	8,476,962		
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**			

*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.

C. Investments - Continued

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

	2015	2014
Interest and dividend income	$ 42,145	$ 10,470
Net gain on investments	287,554	1,300,067
Total net investment income	**$ 329,699**	**$ 1,310,537**

Investment management fees totaled $132,483 and $138,046 for the years ended December 31, 2015 and 2014, 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:

	2015	2014
Furniture and equipment	$ 592,943	$ 591,867
Software	2,299,948	1,694,138
Leasehold improvements	28,330	28,330
	2,921,221	2,314,335
Less accumulated depreciation	(2,023,323)	(1,732,801)
	$ 897,898	**$ 581,534**

E. Temporarily Restricted Net Assets

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

	December 31, 2014	Contributions and Interest	Release from restrictions	December 31, 2015
Foundation Minority Fellowship Program	$ 335,746	$ -	$ (3,682)	$ 332,064
CW Clinician Awards	88,811	-	(1,500)	87,311
Educational Compendium Support	33,070	1,200	(13,351)	20,919
Moellering Trainee Travel Grants	-	14,851	(2,500)	12,351
Korzenowski Overseas Mission	6,814	-	-	6,814
ACA Grant	69,098	2,000	(71,098)	-
FPOS Education Grant	40,000	-	(40,000)	-
CFG Funding	16,646	224,948	(241,594)	-
HIVMA Medical Students	-	270,000	(270,000)	-
HIVMA Research Projects	-	233,750	(233,750)	-
Joint Research Awards	-	216,000	(216,000)	-
Research Fellows Meeting	-	10,000	(10,000)	-
	$ 590,185	**$ 972,749**	**$ (1,103,475)**	**$ 459,459**

	December 31, 2013	Contributions and Interest		December 31, 2014
Foundation Minority Fellowship Program	$ 332,271	$ 200,000	$ (196,525)	$ 335,746
CW Clinician Awards	90,030	281	(1,500)	88,811
ACA Grant	92,544	50,000	(73,446)	69,098
FPOS Education Grant	-	40,000	-	40,000
Educational Compendium Support	49,488	2,500	(18,918)	33,070
CFG Funding	-	225,058	(208,412)	16,646
Korzenowski Overseas Mission	6,804	10	-	6,814
Pandemic Influenza Meeting	114,749	-	(114,749)	-
Joint Research Awards	61,000	62,000	(123,000)	-
Wolinsky JID/CID Awards	979	1	(980)	-
HIVMA Research Projects	-	55,750	(55,750)	-
	$ 747,865	**$ 635,600**	**$ (793,280)**	**$ 590,185**

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, 2015 and 2014, royalties earned from the Oxford University Press totaled $7,806,433 and $7,043,851, respectively.

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, 2015 and 2014 totaled $898,495 and $833,069, respectively. Due to operations and ID Week royalties (see below), IDSA owed SHEA $183,796 for the year ended December 31, 2015.

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) of the Internal Revenue Code, to provide facilities and management and administrative services. PIDS reimburses IDSA at cost for all salary and benefits of the PIDS professional staff paid by IDSA. Total revenue related to these services for the years ended December 31, 2015 and 2014 totaled $209,901 and $201,764, respectively. Due to operations and ID Week royalties (see below), IDSA owed PIDS $7,185 for the year ended December 31, 2015.

ID Week: SHEA and IDSA signed agreements to co-host the ID Week annual meeting held in October through 2019. PIDS also signed an agreement to be a co-organizer of the event. Based on the agreements and net profits from the event, SHEA and PIDS were due royalties for the year ended December 31, 2015 totaling $350,740 and $100,056, respectively.

IC Course: In 2014, SHEA and IDSA co-hosted IC Course. Based on the agreement and net profits from the event, SHEA was due royalties of $8,340 for the year ended December 31, 2014.

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, 2015 and 2014. 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 $253,932 and $254,050, for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014. 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 $0 and $6,441 at December 31, 2015 and 2014, 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 was recognized on a straight-line basis over the term of the leases and totaled $949,648 and $691,733 for the years ended December 31, 2015 and 2014, respectively.

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 lease ended at the end of its extended term.

Rental income, net of amortized leasing commissions, was $64,707 and $138,984 for the years ending December 31, 2015 and 2014, respectively.

Future minimum lease payments and are as follows:

Year Ending December 31,		
2016	$	928,300
2017		955,800
2018		974,300
2019		1,003,500
2020		426,300
	$	4,288,200