Audited Consolidating Financial Statements

INFECTIOUS DISEASES SOCIETY OF AMERICA AND AFFILIATE

December 31, 2016

Infectious Diseases Society of America and Affiliate

Contents

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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, 2016, 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 2016 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, 2016, 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 2015 consolidating financial statements, and our report dated May 6, 2016, expressed an unmodified opinion on those consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Tate & Tryon

Washington, DC
May 15, 2017

Consolidating Statement of Financial Position

December 31, 2016 with 2015 Totals

	2016				2015
	IDSA	Foundation	Eliminations	Total	Total
Assets					
Cash and cash equivalents	$ 830,193	$ 591,554	$ -	**$ 1,421,747**	**$ 1,179,108**
Investments	31,066,987	274,507		**31,341,494**	**30,961,744**
Accounts receivable	2,466,376	130,000		**2,596,376**	**2,636,215**
Due from Foundation	1,550,252		(1,550,252)	**-**	**-**
Prepaid expenses	430,408			**430,408**	**214,633**
Property and equipment, net	972,581			**972,581**	**897,898**
Deposits	57,733			**57,733**	**57,733**
Total assets	$ 37,374,530	$ 996,061	$ (1,550,252)	**$ 36,820,339**	**$ 35,947,331**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 1,358,154	$ 415,500	$ -	**$ 1,773,654**	**$ 1,940,367**
Due to IDSA		1,550,252	(1,550,252)	**-**	**-**
Due to SHEA	64,020			**64,020**	**183,796**
Due to PIDS	12,221			**12,221**	**7,185**
Deferred revenue	3,732,229	22,500		**3,754,729**	**4,457,273**
Deferred rent	209,166			**209,166**	**208,335**
Total liabilities	5,375,790	1,988,252	(1,550,252)	**5,813,790**	**6,796,956**
Net assets					
Unrestricted	31,998,740	(1,229,165)		**30,769,575**	**28,690,916**
Temporarily restricted	-	236,974		**236,974**	**459,459**
Total net assets	31,998,740	(992,191)		**31,006,549**	**29,150,375**
Total liabilities and net assets	$ 37,374,530	$ 996,061	$ (1,550,252)	**$ 36,820,339**	**$ 35,947,331**

See notes to the consolidating financial statements.

Infectious Diseases Society of America and Affiliate

Consolidating Statement of Activities
Year Ended December 31, 2016 with 2015 Totals

	2016				2015
	IDSA	Foundation	Eliminations	Total	Total
Unrestricted activities					
Annual meeting	$ 7,753,042	$ -	$ -	$ 7,753,042	$ 6,617,601
Journals	6,897,192			6,897,192	7,806,433
Membership	2,703,756			2,703,756	2,675,947
Management services	1,168,460			1,168,460	1,108,396
Other committees and groups	700,767			700,767	763,556
Contributions	11,250	214,991		226,241	180,472
HIVMA	22,161			22,161	88,220
Contribution from IDSA		631,958	(631,958)	-	-
Interest and Dividends	652,851	3,116		655,967	506,828
Net assets released from restrictions	-	897,723		897,723	1,103,475
Total unrestricted revenue and support	19,909,479	1,747,788	(631,958)	21,025,309	20,850,928
Expense					
Program services					
Annual meeting	4,958,122			4,958,122	4,487,837
Journals	2,589,862			2,589,862	2,475,701
Other committees and groups	1,920,754			1,920,754	1,343,860
Membership	1,465,762			1,465,762	1,718,948
HIVMA	890,804	550,127		1,440,931	1,425,296
Management services	1,208,658			1,208,658	1,446,312
Guidelines development	1,013,600			1,013,600	770,823
Policy and government relations	790,827			790,827	780,664
Global ID		651,916		651,916	637,338
Other meetings	510,180	11,541		521,721	492,091
Awards and fellowships	49,571	450,800		500,371	457,068
Emerging infections network	261,618			261,618	300,519
Contribution to Foundation	631,958		(631,958)	-	-
Total program services	16,291,716	1,664,384	(631,958)	17,324,142	16,336,457
Supporting services					
General and administrative	1,522,258	221,152		1,743,410	1,147,192
Governance	1,138,739			1,138,739	982,166
Total supporting services	2,660,997	221,152	-	2,882,149	2,129,358
Total expense	18,952,713	1,885,536	(631,958)	20,206,291	18,465,815
Change in unrestricted net assets before net gain on investments	956,766	(137,748)	-	819,018	2,385,113
Net investment income	1,259,641			1,259,641	(309,612)
Change in unrestricted net assets	2,216,407	(137,748)	-	2,078,659	2,075,501
Temporarily restricted activities					
Contributions and interest	-	675,238		675,238	972,749
Net assets released from restrictions	-	(897,723)		(897,723)	(1,103,475)
Change in temporarily restricted net assets	-	(222,485)	-	(222,485)	(130,726)
Change in net assets	2,216,407	(360,233)	-	1,856,174	1,944,775
Net assets, beginning of year	29,782,333	(631,958)	-	29,150,375	27,205,600
Net assets, end of year	$ 31,998,740	$ (992,191)	$ -	$ 31,006,549	$ 29,150,375

Infectious Diseases Society of America and Affiliate

Consolidating Statements of Cash Flows
Year Ended December 31, 2016 and 2015 Totals

	2016				2015
Year Ended December 31,	**IDSA**	**Foundation**	**Eliminations**	**Total**	**Total**
Cash flows from operating activities					
Change in net assets	$ 2,216,407	$ (360,233)	$ -	**$ 1,856,174**	$ 1,944,775
Adjustments to reconcile change in net assets to net cash used in operating activities:					
Depreciation and amortization	236,642			**236,642**	296,485
Net gain on investments	(1,379,208)			**(1,379,208)**	(287,554)
Changes in assets and liabilities:					
Accounts receivable	82,339	(42,500)		**39,839**	(793,028)
Due from Foundation	(227,599)		227,599	**-**	-
Prepaid expenses	(215,775)			**(215,775)**	3,854
Accounts payable and accrued expenses	(244,085)	77,372		**(166,713)**	406,270
Due to IDSA		227,599	(227,599)	**-**	-
Due to SHEA	(119,776)			**(119,776)**	127,417
Due to PIDS	5,036			**5,036**	30,323
Deferred revenue	(695,044)	(7,500)		**(702,544)**	(2,502,750)
Deferred rent	831			**831**	40,733
Total adjustments	(2,556,639)	254,971	-	**(2,301,668)**	(2,678,250)
Net cash used in operating activities	(340,232)	(105,262)	-	**(445,494)**	(733,475)
Cash flows from investing activities					
Proceeds from sales of investments	8,880,397	251,052		**9,131,449**	34,169,735
Purchases of investments	(7,856,991)	(275,000)		**(8,131,991)**	(33,956,273)
Purchases of property and equipment	(311,325)			**(311,325)**	(612,849)
Net cash provided by (used in) investing activities	712,081	(23,948)	-	**688,133**	(399,387)
Net increase (decrease) in cash and cash equivalents	371,849	(129,210)	-	**242,639**	(1,132,862)
Cash, beginning of year	458,344	720,764	-	**1,179,108**	2,311,970
Cash, end of year	$ 830,193	$ 591,554	$ -	**$ 1,421,747**	$ 1,179,108

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.

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 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, 2015, from which the summarized information was derived.

Reclassification: Certain 2015 Consolidating Statement of Activities line items have been reclassified to conform the prior year to the current year's presentation.

Subsequent events: Subsequent events have been evaluated through May 15, 2017, which is the date the consolidating statements were 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:

2016	Total	Level 1	Level 2	Level 3
Equities	$ 17,210,375	$ 17,210,375	$ -	$ -
Fixed Income	8,109,591	8,109,591		
Investments carried at fair value	$ 25,319,966	$ 25,319,966	$ -	$ -
Certificates of deposit*	4,113,697			
Money market funds*	1,907,831			
Total Investments	**$ 31,341,494**			

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 market funds*	1,199,330			
Total Investments	**$ 30,961,744**			

*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:

	2016	2015
Interest and dividend income	$ 655,967	$ 506,828
Net gain (loss) on investments	1,379,208	(177,129)
Investment management fees	(119,567)	(132,483)
Total net investment income	**$ 1,915,608**	**$ 197,216**

D. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than or equal to $2,500 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:

	2016	2015
Furniture and equipment	$ 612,108	$ 592,943
Software	2,556,074	2,299,948
Leasehold improvements	28,330	28,330
	3,196,512	2,921,221
Less accumulated depreciation and amortization	(2,223,931)	(2,023,323)
	$ 972,581	**$ 897,898**

E. TEMPORARILY RESTRICTED NET ASSETS

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

	December 31, 2015	Contributions and Interest	Release from restrictions	December 31, 2016
CW Clinician Awards	$ 87,311	$ -	$ -	$ 87,311
CFG Global Health	-	287,238	(201,479)	85,759
Foundation Minority Fellowship Program	332,064	100,000	(384,825)	47,239
Moellering Trainee Travel Grants	12,351	-	(2,500)	9,851
Korzenowski Overseas Mission	6,814	-	-	6,814
Educational Compendium Support	20,919	-	(20,919)	-
HIVMA Medical Students	-	77,000	(77,000)	-
OPAT e-Handbook	-	75,000	(75,000)	-
Joint Research Awards	-	61,000	(61,000)	-
ACA Grant	-	50,000	(50,000)	-
Medical Scholars	-	25,000	(25,000)	-
	$ 459,459	**$ 675,238**	**$ (897,723)**	**$ 236,974**

	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**

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*. In 2014, IDSA and Oxford University Press launched a new open access journal, Open Forum Infectious Diseases. For the years ended December 31, 2016 and 2015, royalties earned from the Oxford University Press totaled $6,897,192 and $7,806,433, 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 and an allocation of overhead from IDSA's offices. Total revenue related to these services for the years ended December 31, 2016 and 2015 totaled $959,446 and $898,495, respectively. Due to operations and ID Week royalties (see below), IDSA owed SHEA $64,020 and 183,796 as of ended December 31, 2016 and 2015, 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) 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 and a fixed management fee. Total revenue related to these services for the years ended December 31, 2016 and 2015 totaled $209,014 and $209,901, respectively. Due to operations and ID Week royalties (see below), IDSA owed PIDS $12,221 and $7,185 as of December 31, 2016 and 2015, respectively.

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 royalties for the year ended December 31, 2016 totaled $530,231 and $152,852, respectively.

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, 2016 and 2015. 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 $271,161 and $253,932, for the years ended December 31, 2016 and 2015, respectively. In November 2016, IDSA amended the plan eliminating the six months of employment eligibility requirement, effective for the plan year beginning January 1, 2017.

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 grants: 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.

I. Commitments and Contingencies – Continued

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.

Rent expense was recognized on a straight-line basis over the term of the leases and totaled $936,214 and $949,648 for the years ended December 31, 2016 and 2015, respectively.

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 $0 and $64,707 for the years ending December 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	
2017	$ 955,800
2018	974,300
2019	1,003,500
2020	426,300
	$ 3,359,900