

ADULT CONGENITAL HEART ASSOCIATION

FINANCIAL REPORT
December 31, 2013
(With Comparative Totals for 2012)

ADULT CONGENITAL HEART ASSOCIATION

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Independent Auditor's Report

The Board of Directors
Adult Congenital Heart Association
Philadelphia, PA

We have audited the accompanying financial statements of Adult Congenital Heart Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report On Summarized Comparative Information

We have previously audited Adult Congenital Heart Association's 2012 financial statements, and, our report dated June 4, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SNYDER, DAITZ & COMPANY
Philadelphia, PA

April 16, 2014

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(With comparative totals for 2012)

	2013	2012
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 632,539	\$ 391,436
Grants and contributions receivable	200,110	448,867
Prepaid expenses	41,323	13,837
	\$ 873,972	\$ 854,140
<u>NON-CURRENT ASSETS</u>		
Furniture and equipment	\$ 23,844	\$ 19,895
Less: Accumulated depreciation	(16,094)	(10,387)
	\$ 7,750	\$ 9,508
Investments	53,647	0
Deposits	2,112	1,400
	\$ 63,509	\$ 10,908
	\$ 937,481	\$ 865,048
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 133,164	\$ 38,241
Accrued payroll	25,675	0
Deferred revenue	8,520	0
	\$ 167,359	\$ 38,241
<u>NET ASSETS</u>		
Unrestricted	\$ 334,833	\$ 203,840
Temporarily restricted	435,289	622,967
	\$ 770,122	\$ 826,807
Total Liabilities and Net Assets	\$ 937,481	\$ 865,048

The accompanying letter and notes are an integral part of this statement.

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF ACTIVITIES
 Year ended December 31, 2013
 (With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
REVENUE				
Grant revenue	\$ 37,793	\$ 256,409	\$ 294,202	\$ 625,712
Other donations	1,105,858	2,125	1,107,983	874,654
Contract revenue	0		0	87,952
Membership dues	19,445		19,445	20,737
Program and events	58,960	31,500	90,460	15,453
Other revenue	190		190	961
Investment income	3,809		3,809	328
Net Assets released from restriction	477,712	(477,712)	0	0
	<u>\$ 1,703,767</u>	<u>\$ (187,678)</u>	<u>\$ 1,516,089</u>	<u>\$ 1,625,797</u>
EXPENDITURES				
Program	\$ 1,157,870		\$ 1,157,870	\$ 971,111
Administrative	255,255		255,255	150,874
Fundraising	159,649		159,649	158,127
	<u>\$ 1,572,774</u>	<u>0</u>	<u>\$ 1,572,774</u>	<u>\$ 1,280,112</u>
Change in Net Assets	\$ 130,993	\$ (187,678)	\$ (56,685)	\$ 345,685
Net Assets, Beginning	203,840	622,967	826,807	481,122
Net Assets, Ending	<u>\$ 334,833</u>	<u>\$ 435,289</u>	<u>\$ 770,122</u>	<u>\$ 826,807</u>

The accompanying letter and notes are an integral part of this statement.

ADULT CONGENITAL HEART ASSOCIATION

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2013

(With comparative totals for 2012)

	Program	Administrative	Fund Raising	Total 2013	Total 2012
Salaries	\$ 435,685	\$ 93,863	\$ 98,319	\$ 627,867	\$ 560,409
Payroll taxes	37,426	9,245	8,883	55,554	48,970
Employee benefits	31,530	11,971	9,706	53,207	68,781
Consultants	135,441	77,366	6,299	219,106	154,290
Rent	13,347	7,235	2,682	23,264	20,000
Insurance	511	4,604	0	5,115	4,892
Office and administrative expenses	87,225	14,187	7,380	108,792	74,422
Telephone and internet	9,899	3,793	2,925	16,617	16,639
Postage	11,115	1,573	4,165	16,853	15,260
Printing	37,452	676	14,201	52,329	47,546
Equipment, repair and maintenance	4,817	0	0	4,817	20,182
Conference expenses	0	0	0	0	20,000
Other program costs	252,501	538	801	253,840	123,675
Travel	100,860	6,631	4,130	111,621	80,194
Board and staff development	61	12,316	158	12,535	13,169
Accounting fees	0	5,550	0	5,550	5,350
Depreciation	0	5,707	0	5,707	6,333
	<u>\$ 1,157,870</u>	<u>\$ 255,255</u>	<u>\$ 159,649</u>	<u>\$ 1,572,774</u>	<u>\$ 1,280,112</u>

The accompanying letter and notes are an integral part of this statement.

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF CASH FLOWS Year ended December 31, 2013 (With comparative totals for 2012)

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (56,685)	\$ 345,685
Adjustments to reconcile to cash from operations		
Depreciation	5,707	6,333
Increase in fair value of investments	(2,753)	0
(Increase) decrease in:		
Grants and contributions receivable	248,757	(159,160)
Contract receivable	0	57,225
Prepaid expenses	(27,486)	(7,145)
Deposits	(712)	0
Increase (decrease) in:		
Accounts payable	94,923	11,219
Accrued payroll	25,675	0
Deferred revenue	8,520	0
	\$ 295,946	\$ 254,157
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	\$ (50,894)	0
Purchase of office furniture and equipment	(3,949)	\$ (4,492)
	\$ (54,843)	\$ (4,492)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
	0	0
Net increase in cash for the year	\$ 241,103	\$ 249,665
Cash Balance, beginning	391,436	141,771
Cash Balance, ending	\$ 632,539	\$ 391,436

The accompanying letter and notes are an integral part of this statement.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Organization

Adult Congenital Heart Association (ACHA) was formed as a tax-exempt organization for the purpose of education, outreach, advocacy and promotion of research of adult congenital heart issues.

Educational resources include a monthly e-newsletter with personal stories, articles by medical professionals, and events and resource information. ACHA also holds both national and regional conferences for patient and family education and support, to recruit and train volunteers, and to review emerging issues in Adult Congenital Heart Disease.

Date of Management's Review

Subsequent events were evaluated through April 16, 2014, which is the date the financial statements were available to be issued.

Basis of Accounting

The organization's accounting policies conform to generally accepted accounting principles, using the accrual basis of accounting.

Basis of Presentation

The financial statements are presented in accordance with FASB ASC 958 (formerly Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations), which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates are at times required, including an estimate of an accrual for a severance payment as of December 31, 2013.

Cash

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents.

The organization maintains its bank accounts in financial institutions with insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances may at times exceed this amount.

Cash includes balances restricted to use within the guidelines of grants from the organization's funding sources. These balances totaled approximately \$283,800 and \$202,300 as of December 31, 2013 and 2012, respectively.

Investments

In accordance with FASB ASC 820-10 (formerly SFAS No. 157), investments are reported using fair value measurements as detailed in Note 3.

The Organization incurred investment fees of \$207 during the year ended December 31, 2013.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowance For Uncollectible Amounts

Each account receivable and grant receivable is evaluated separately by management to determine collectibility. An allowance for uncollectible amounts, if any, is based on this determination. There was no allowance at December 31, 2013 and 2012, as all amounts were considered collectible.

Recognition of Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on 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 reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Amounts released from restriction totaled \$477,712 and \$366,782 for the years ended December 31, 2013 and 2012, respectively.

Unconditional promises to give are recognized as revenues or gains to the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

Income Taxes

The organization is a nonprofit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the statement of activities and in the schedule of functional expenses. Accordingly, such costs have been directly allocated among the programs and supporting services as shown on the schedule of functional expenses. Indirect expenses have been allocated using either actual staff time or facilities usage by each program.

Expenses per functional category are as follows:

	2013	2012
Educational Program		
Patient Family Services	\$ 300,589	\$ 354,417
National Conference	36,560	0
Professional Services	242,422	0
Walks	<u>368,756</u>	<u>283,280</u>
	<u>\$ 948,327</u>	<u>\$ 637,697</u>
Advocacy/Outreach		
Outreach Events	\$ 50,674	\$ 182,714
Advocacy	74,610	49,298
Research	43,198	101,402
Policy/Federal Relations	<u>41,061</u>	<u>0</u>
	<u>\$ 209,543</u>	<u>\$ 333,414</u>
Total Programs	<u>\$1,157,870</u>	<u>\$ 971,111</u>
Administrative		
Strategic planning	\$ 44,713	\$ 77,986
Other	<u>210,542</u>	<u>72,888</u>
Total Administrative	<u>\$ 255,255</u>	<u>\$ 150,874</u>
Fund Raising	<u>\$ 159,649</u>	<u>\$ 158,127</u>
	<u>\$1,572,774</u>	<u>\$1,280,112</u>

NOTE 2 - GRANTS RECEIVABLE

Represents an amount due within one year as follows:

	2013	2012
Actelion Pharmaceuticals		
Heart to Heart Programs	\$100,000	\$390,712
Regional Events	50,000	0
James Wong Private Foundation		
Research	10,000	25,000
St. Jude Medical Foundation		
Heart to Heart Programs	0	5,000
Other	<u>40,110</u>	<u>28,155</u>
	<u>\$200,110</u>	<u>\$448,867</u>

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position:

	<u>Fair Value Measurements Using:</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2013</u>			
Cash and money market funds	\$ 3,857	\$ 3,857	\$ 3,857
Equity securities	94	1,258	1,258
Mutual funds - Equities	6,940	6,814	6,814
Mutual funds - Bonds	20,020	19,859	19,859
ETF - Equities	19,983	21,859	21,859
	<u>\$ 50,894</u>	<u>\$ 53,647</u>	<u>\$ 53,647</u>

Gains and losses (realized and unrealized) included in changes in net assets for the year ended December 31, 2013 are reported in investment income. All such gains and losses were a result of transactions where values have been measure using Level 1 inputs.

FASB ASC 820-10 (Formerly SFAS No. 157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are those other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 inputs are those unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Organization, and Level 3 inputs are only used when Level 1 and 2 inputs are not available

Level 1 Fair Value Measurements

The fair value of mutual funds, equity securities, bonds, and community foundation funds are based on quoted net asset values of the shares held at year-end.

NOTE 4 - LINE OF CREDIT

The Organization has a line of credit, dated June 30, 2010, with Valley Green Bank in the amount of \$50,000, which is currently available until June 30, 2014, and renewable annually. Outstanding balances carry an interest rate of prime + 1%, with a floor of 6.5%, and are secured by the Organization's business assets. The rate was 6.5% as of December 31, 2013. There was no outstanding balance as of December 31, 2013 and 2012.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 5 - NET ASSETS

Unrestricted Net Assets

Unrestricted net assets represent funds retained by the Adult Congenital Heart Association that were received without any donor-imposed restrictions. In addition, donor-restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources restricted by the donor as to time or use with the expectation that such restrictions will be satisfied in the future.

Temporarily restricted net assets are composed of the following:

	<u>2013</u>	<u>2012</u>
Fellowship	\$113,000	\$246,810
Heart to Heart	110,000	100,000
Ambassador	75,000	25,000
Regional events	50,000	43,902
Conference	31,755	0
Research	25,000	25,000
Patch	15,000	100,000
Information technology	11,409	0
Scholarship fund	2,125	2,255
Advocacy day	2,000	30,000
General Outreach	0	40,000
Time restricted operating	0	10,000
	<u>\$435,289</u>	<u>\$622,967</u>

Permanently Restricted Funds

Permanently restricted net assets represent resources subject to a donor-imposed restriction that they be permanently maintained. The organization has not received any such contributions.

NOTE 6 - CONCENTRATION OF REVENUE SOURCES

For the year ended December 31, 2012, revenue from one source was in excess of 10% of the organization's revenue. Revenue from this source totaled approximately \$521,000 or 32% of total revenue.

NOTE 7 - LEASE COMMITMENTS

The Organization has entered into a lease for office space for a term which extends through May 2014. Total monthly rent is \$2,352 through the end of the lease.

Rental expense was \$23,264 and \$20,000 for the years ended December 31, 2013 and 2012, respectively.

Future minimum payments under the lease are as follows:

Years ending December 31, 2014 \$7,000

and none thereafter