

ADULT CONGENITAL HEART ASSOCIATION

FINANCIAL REPORT
December 31, 2014
(With Comparative Totals for 2013)

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, 2014 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, 2014 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 2013 financial statements, and, our report dated April 16, 2014 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SNYDER, DAITZ & COMPANY
Philadelphia, PA

May 20, 2015

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF FINANCIAL POSITION

December 31, 2014

(With comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 494,677	\$ 632,539
Grants and contributions receivable	410,340	200,110
Contracts and other receivables	4,950	0
Prepaid expenses	27,033	41,323
	<u>\$ 937,000</u>	<u>\$ 873,972</u>
 <u>NON-CURRENT ASSETS</u>		
Investments	\$ 114,822	\$ 53,647
Furniture and equipment, net	25,294	7,750
Deposits	8,270	2,112
	<u>\$ 148,386</u>	<u>\$ 63,509</u>
	<u>\$ 1,085,386</u>	<u>\$ 937,481</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 82,117	\$ 133,164
Accrued payroll	19,939	25,675
Deferred revenue	9,296	8,520
	<u>\$ 111,352</u>	<u>\$ 167,359</u>
 <u>NET ASSETS</u>		
Unrestricted	\$ 411,999	\$ 334,833
Temporarily restricted	562,035	435,289
	<u>\$ 974,034</u>	<u>\$ 770,122</u>
	<u>\$ 1,085,386</u>	<u>\$ 937,481</u>

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

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF ACTIVITIES
 Year ended December 31, 2014
 (With comparative totals for 2013)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
<u>REVENUE</u>				
Grant revenue	\$ 101,700	\$ 513,000	\$ 614,700	\$ 294,202
Other donations	1,243,049	25,035	1,268,084	1,107,983
Membership dues	19,090		19,090	19,445
Program and events	150,461		150,461	90,460
Other revenue	859		859	190
Interest earned	4,656		4,656	3,809
Net Assets released from restriction	411,289	(411,289)	0	0
Total Revenue	<u>\$ 1,931,104</u>	<u>\$ 126,746</u>	<u>\$ 2,057,850</u>	<u>\$ 1,516,089</u>
<u>EXPENSES</u>				
Program	\$ 1,488,234		\$ 1,488,234	\$ 1,157,870
Administrative	219,580		219,580	255,255
Fundraising	146,124		146,124	159,649
Total Expenses	<u>\$ 1,853,938</u>	<u>0</u>	<u>\$ 1,853,938</u>	<u>\$ 1,572,774</u>
Change in Net Assets	\$ 77,166	\$ 126,746	\$ 203,912	\$ (56,685)
Net Assets, Beginning	<u>334,833</u>	<u>435,289</u>	<u>770,122</u>	<u>826,807</u>
Net Assets, Ending	<u>\$ 411,999</u>	<u>\$ 562,035</u>	<u>\$ 974,034</u>	<u>\$ 770,122</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, 2014
(With comparative totals for 2013)

	Program	Administrative	Fund Raising	Total 2014	Total 2013
Salaries	\$ 446,196	\$ 62,962	\$ 84,103	\$ 593,261	\$ 627,867
Payroll taxes	38,892	5,531	7,304	51,727	55,554
Employee benefits	41,511	2,202	5,312	49,025	53,207
Consultants	202,239	106,594	8,646	317,479	219,106
Rent	19,519	2,624	3,107	25,250	23,264
Insurance	3,943	553	756	5,252	5,115
Office and administrative expenses	111,131	6,886	15,194	133,211	108,792
Telephone and internet	10,383	1,890	2,905	15,178	16,617
Postage	12,619	1,083	4,769	18,471	16,853
Printing	37,111	1,176	9,979	48,266	52,329
Equipment, repair and maintenance	9,254	285	0	9,539	4,817
Other program costs	460,567	6,890	941	468,398	253,840
Travel	93,583	4,376	2,979	100,938	111,621
Board and staff development	188	5,462	129	5,779	12,535
Accounting fees	0	5,750	0	5,750	5,550
Depreciation	1,098	5,316	0	6,414	5,707
	<u>\$ 1,488,234</u>	<u>\$ 219,580</u>	<u>\$ 146,124</u>	<u>\$ 1,853,938</u>	<u>\$ 1,572,774</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, 2014 (With comparative totals for 2013)

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 203,912	\$ (56,685)
Adjustments to reconcile to cash from operations		
Depreciation	6,414	5,707
Increase in fair value of investments	61	(2,753)
(Increase) decrease in:		
Grants and contributions receivable	(210,230)	248,757
Contract and other receivable	(4,950)	0
Prepaid expenses	14,290	(27,486)
Deposits	(6,158)	(712)
Increase (decrease) in:		
Accounts payable	(51,047)	94,923
Accrued payroll	(5,736)	25,675
Deferred revenue	776	8,520
	<u>\$ (52,668)</u>	<u>\$ 295,946</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	\$ (58,838)	\$ (50,894)
Reinvested dividends, net	(2,398)	0
Purchase of office furniture and equipment	(22,819)	(3,949)
Purchase of leasehold improvements	(1,139)	0
	<u>\$ (85,194)</u>	<u>\$ (54,843)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash for the year	\$ (137,862)	\$ 241,103
Cash Balance, beginning	632,539	391,436
Cash Balance, ending	<u>\$ 494,677</u>	<u>\$ 632,539</u>

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

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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 May 20, 2015, 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 \$172,300 and \$283,800 as of December 31, 2014 and 2013, 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 \$995 during the year ended December 31, 2014.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014 and 2013, 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 \$411,289 and \$477,712 for the years ended December 31, 2014 and 2013, 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 2013 financial statements in order to conform to the 2014 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, 2014 and 2013

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:

	2014	2013
Educational Program		
Patient Family Services	\$ 231,282	\$ 300,589
National Conference	423,018	36,560
Professional Services	220,043	242,422
Walks	472,429	368,756
	\$1,346,772	\$ 948,327
Advocacy/Outreach		
Outreach Events	\$ 26,872	\$ 50,674
Advocacy	56,721	74,610
Research	21,366	43,198
Policy/Federal Relations	36,503	41,061
	\$ 141,462	\$ 209,543
 Total Programs	 \$1,488,234	 \$1,157,870
Administrative		
Strategic planning	\$ 33,474	\$ 44,713
Other	186,106	210,542
Total Administrative	\$ 219,580	\$ 255,255
 Fund Raising	 \$ 146,124	 \$ 159,649
	\$1,853,938	\$1,572,774

NOTE 2 - GRANTS RECEIVABLE

Represents an amount due within one year as follows:

	2014	2013
Actelion Pharmaceuticals		
Heart to Heart/ Member Services	\$390,000	\$100,000
Regional Events	0	50,000
James Wong Private Foundation		
Accreditation	3,000	10,000
St. Jude Medical Foundation		
Patient Member Services	5,000	0
Other	12,340	40,110
	\$410,340	\$200,110

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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, 2014</u>			
Cash and money market funds	\$ 3,540	\$ 3,540	\$ 3,540
Mutual funds - Equities	9,940	10,567	10,567
Mutual funds - Bonds	45,060	44,022	44,022
ETF - Equities	<u>54,588</u>	<u>56,693</u>	<u>56,693</u>
	<u>\$113,128</u>	<u>\$114,822</u>	<u>\$114,822</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	<u>19,983</u>	<u>21,859</u>	<u>21,859</u>
	<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 years ended December 31, 2014 and 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.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

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, 2015, 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, 2014. There was no outstanding balance as of December 31, 2014 and 2013.

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>2014</u>	<u>2013</u>
Fellowship	\$214,000	\$113,000
Heart to Heart/ Member Services	75,035	110,000
Ambassador	80,000	75,000
Regional events	42,000	50,000
Conference	0	31,755
Research	0	25,000
Accreditation	33,000	0
Patch	80,000	15,000
Information technology	0	11,409
Scholarship fund	0	2,125
Advocacy day	20,000	2,000
General Outreach	18,000	0
	<u>\$562,035</u>	<u>\$435,289</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, 2014, revenue from one source was in excess of 10% of the organization's revenue. Revenue from this source totaled approximately \$564,000 or 27% of total revenue.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2014 and 2013

NOTE 7 - RENT EXPENSE AND LEASE COMMITMENTS

During 2014, the Organization leased its office space under terms not greater than one year.

Effective January 1, 2015, the Organization has entered into a lease for office space for a term which extends through December 2019. Total minimum monthly rent is \$3,000 in the first year of the lease, for an annual rent of 36,000. Rent increases by 3% annually in each subsequent year of the lease term.

Rental expense was \$25,250 and \$23,264 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease payments for office space and equipment are as follows:

	Office Space	Equipment
Years ending December 31, 2015	\$36,000	\$3,108
2016	37,080	3,108
2017	38,192	3,108
2018	39,338	3,108
2019	40,518	2,849
and none thereafter		