

NATIONAL MARFAN FOUNDATION, INC.
REPORT ON AUDITS OF FINANCIAL STATEMENTS

Years Ended June 30, 2012 and 2011

Contents

Years Ended June 30, 2012 and 2011

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Financial Statements

Independent Auditors' Report

Board of Directors
National Marfan Foundation, Inc.
Port Washington, New York

We have audited the accompanying statements of financial position of National Marfan Foundation, Inc. (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Marfan Foundation, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Melville, New York
November 5, 2012

Statements of Financial Position

<i>June 30,</i>	2012	2011
Assets		
Cash	\$ 1,359,843	\$ 904,821
Investments	6,051,571	5,856,998
Pledge Receivables, net	4,057,769	1,115,119
Prepaid Expenses and Other Current Assets	146,333	206,288
Property and Equipment, net	787,273	758,506
Beneficial Interest in Charitable Remainder Trust	905,978	934,479
Other Assets	98,784	80,071
Total Assets	<u>\$ 13,407,551</u>	<u>\$ 9,856,282</u>
Liabilities and Net Assets		
Liabilities:		
Accrued liabilities	\$ 224,013	\$ 230,785
Grant payable	-	25,000
Deferred conference income	101,078	116,549
Other payables	98,784	80,071
Total Liabilities	<u>423,875</u>	<u>452,405</u>
Net Assets:		
Unrestricted:		
General	1,479,219	1,730,996
Board designated	2,288,761	2,157,985
Temporarily restricted	9,215,696	5,514,896
Total Net Assets	<u>12,983,676</u>	<u>9,403,877</u>
Total Liabilities and Net Assets	<u>\$ 13,407,551</u>	<u>\$ 9,856,282</u>

NATIONAL MARFAN FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012 (with comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
Revenues and Gains:				
Contributions	\$ 1,098,489	\$ 4,918,459	\$ 6,016,948	\$ 1,692,489
Memorials	81,047	-	81,047	84,707
Membership contributions	134,073	-	134,073	123,744
National Marfan Conference	210,386	17,258	227,644	163,605
Program revenue	7,831	-	7,831	6,590
Net investment income	143,444	-	143,444	127,521
Events, net of direct expenses of \$318,661 and \$338,020, respectively	994,652	-	994,652	1,076,305
Change in value of beneficial interest charitable remainder trust	-	(28,501)	(28,501)	99,935
Gifts in-kind	90,000	-	90,000	118,991
Net assets released from restriction	1,206,416	(1,206,416)	-	-
Total Revenues and Gains	3,966,338	3,700,800	7,667,138	3,493,887
Expenses:				
Program service expenses:				
Research initiatives and grants	1,719,595	-	1,719,595	1,536,107
Education and public awareness	629,230	-	629,230	510,693
Patient services and annual conference	809,084	-	809,084	721,748
Total program service expenses	3,157,909	-	3,157,909	2,768,548
Supporting service expenses:				
Management and general	377,093	-	377,093	304,227
Fundraising	552,337	-	552,337	627,812
Total supporting service expenses	929,430	-	929,430	932,039
Total Expenses	4,087,339	-	4,087,339	3,700,587
(Decrease) Increase in Net Assets	(121,001)	3,700,800	3,579,799	(206,700)
Net Assets, beginning of the year	3,888,981	5,514,896	9,403,877	9,610,577
Net Assets, end of the year	\$ 3,767,980	\$ 9,215,696	\$ 12,983,676	\$ 9,403,877

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and Gains:			
Contributions	\$ 1,571,097	\$ 121,392	\$ 1,692,489
Memorials	84,707	-	84,707
Membership contributions	123,744	-	123,744
National Marfan Conference	149,311	14,294	163,605
Program revenue	6,590	-	6,590
Net investment income	127,521	-	127,521
Events, net of direct expenses of \$338,020	1,076,305	-	1,076,305
Change in value of beneficial interest charitable remainder trust	-	99,935	99,935
Gifts in-kind	118,991	-	118,991
Net assets released from restriction	631,458	(631,458)	-
Total Revenues and Gains	3,889,724	(395,837)	3,493,887
Expenses:			
Program service expenses:			
Research initiatives and grants	1,536,107	-	1,536,107
Education and public awareness	510,693	-	510,693
Patient services and annual conference	721,748	-	721,748
Total program service expenses	2,768,548	-	2,768,548
Supporting service expenses:			
Management and general	304,227	-	304,227
Fundraising	627,812	-	627,812
Total supporting service expenses	932,039	-	932,039
Total Expenses	3,700,587	-	3,700,587
Increase (Decrease) in Net Assets	189,137	(395,837)	(206,700)
Net Assets, beginning of the year	3,699,844	5,910,733	9,610,577
Net Assets, end of the year	\$ 3,888,981	\$ 5,514,896	\$ 9,403,877

Statement of Functional Expenses
Year Ended June 30, 2012 (with comparative totals for 2011)

	Program Services			Supporting Services		2012 Total Expenses	2011 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising		
Awards and Fellowships	\$ 1,298,224	\$ -	\$ 10,646	\$ 283	\$ 960	\$ 1,310,113	\$ 1,070,179
Payroll	216,468	203,734	394,735	178,268	280,135	1,273,340	1,253,247
Payroll Taxes	14,398	14,398	31,672	14,398	21,116	95,982	93,458
Employee Benefits	15,531	18,859	29,953	16,641	29,953	110,937	104,434
Professional Fees	90,474	126,707	60,994	30,513	36,080	344,768	260,236
Telephone	905	1,848	6,916	3,835	1,859	15,363	16,702
Utilities	1,635	3,678	8,378	4,700	2,043	20,434	20,086
Repairs and Maintenance	850	1,911	4,354	2,442	1,062	10,619	20,014
Office Supplies	2,888	3,521	7,026	7,375	8,232	29,042	22,224
Equipment Rentals	512	1,152	2,624	1,472	640	6,400	6,540
Postage and Shipping	3,224	10,706	21,424	2,898	39,932	78,184	83,474
Printing and Publications	2,090	148,220	30,153	5,385	58,035	243,883	142,505
Information Technology	5,992	10,854	15,395	4,932	9,514	46,687	35,504
Annual Conference, Scientific Medical Governance and Other Meetings, including Related Travel	32,613	46,987	140,547	43,350	26,759	290,256	317,762
Insurance	-	-	677	15,978	300	16,955	14,508
Recruitment and Training	1,037	1,127	311	41	540	3,056	1,739
Fees and Permits	-	3,800	-	4,683	-	8,483	8,562
Dues and Subscriptions	1,225	199	109	3,637	-	5,170	6,849
Transaction Fees	6,187	6,187	6,953	6,187	6,187	31,701	22,653
Gifts In-kind	18,000	18,000	18,000	18,000	14,400	86,400	114,232
Uncollectible Account Expenses	-	-	-	4,272	-	4,272	5,485
Miscellaneous	-	-	10,875	461	7,248	18,584	45,790
Total Expenses before Depreciation	1,712,253	621,888	801,742	369,751	544,995	4,050,629	3,666,183
Depreciation	7,342	7,342	7,342	7,342	7,342	36,710	34,404
Total Expenses	<u>\$ 1,719,595</u>	<u>\$ 629,230</u>	<u>\$ 809,084</u>	<u>\$ 377,093</u>	<u>\$ 552,337</u>	<u>\$ 4,087,339</u>	<u>\$ 3,700,587</u>
Percent to Total Program and Supporting Service - Current	<u>42%</u>	<u>15%</u>	<u>20%</u>	<u>9%</u>	<u>14%</u>	<u>100%</u>	
Percent to Total Program and Supporting Service - Prior	<u>42%</u>	<u>14%</u>	<u>20%</u>	<u>8%</u>	<u>16%</u>		<u>100%</u>

See notes to financial statements.

Statement of Functional Expenses
Year Ended June 30, 2011

	Program Services			Supporting Services		2011 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising	
Awards and Fellowships	\$ 1,061,485	\$ 49	\$ 8,474	\$ 171	\$ -	\$ 1,070,179
Payroll	213,052	187,987	388,506	150,390	313,312	1,253,247
Payroll Taxes	15,888	14,019	28,971	11,215	23,365	93,458
Employee Benefits	13,576	16,709	26,109	14,621	33,419	104,434
Professional Fees	67,441	101,822	19,404	20,621	50,948	260,236
Telephone	1,043	2,340	6,709	4,480	2,130	16,702
Utilities	2,812	4,821	6,829	2,611	3,013	20,086
Repairs and Maintenance	1,707	9,890	4,144	2,445	1,828	20,014
Office Supplies	3,867	4,089	6,534	3,867	3,867	22,224
Equipment Rentals	916	1,570	2,223	850	981	6,540
Postage and Shipping	4,252	8,837	21,918	3,645	44,822	83,474
Printing and Publications	2,947	53,444	29,049	4,689	52,376	142,505
Information Technology	3,248	8,191	10,228	1,247	12,590	35,504
Annual Conference, Scientific Medical Governance and Other Meetings, including Related Travel	108,630	52,749	115,782	17,911	22,690	317,762
Insurance	-	-	-	14,508	-	14,508
Recruitment and Training	174	365	713	174	313	1,739
Fees and Permits	-	4,350	-	4,212	-	8,562
Dues and Subscriptions	1,926	171	111	4,272	369	6,849
Transaction Fees	4,528	4,528	4,529	4,529	4,539	22,653
Gifts In-kind	23,798	23,798	23,798	23,799	19,039	114,232
Uncollectible Account Expenses	-	-	-	5,485	-	5,485
Miscellaneous	-	2,707	6,020	4,013	33,050	45,790
Total Expenses before Depreciation	1,531,290	502,436	710,051	299,755	622,651	3,666,183
Depreciation	4,817	8,257	11,697	4,472	5,161	34,404
Total Expenses	<u>\$ 1,536,107</u>	<u>\$ 510,693</u>	<u>\$ 721,748</u>	<u>\$ 304,227</u>	<u>\$ 627,812</u>	<u>\$ 3,700,587</u>
Percent to Total Program and Supporting Service - Current	<u>42%</u>	<u>14%</u>	<u>20%</u>	<u>8%</u>	<u>16%</u>	<u>100%</u>

See notes to financial statements.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2012	2011
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,579,799	\$ (206,700)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	36,710	34,404
Net realized and unrealized (gain) loss on investments	(39,369)	14,991
Uncollectible account expenses	4,272	5,485
Change in unamortized discount on pledges receivable	106,541	71,742
Change in beneficial interest in charitable remainder trust	28,501	(99,935)
Donated securities	(101,003)	(23,524)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	(3,053,463)	873,274
Prepaid expenses and other current assets	59,955	(125,592)
Other assets	(18,713)	(20,392)
(Decrease) increase in operating liabilities:		
Accrued liabilities	(6,772)	118,058
Grant payable	(25,000)	25,000
Deferred conference income	(15,471)	(3,221)
Other payables	18,713	20,392
Net Cash Provided by Operating Activities	<u>574,700</u>	<u>683,982</u>
Cash Flows from Investing Activities:		
Fixed asset purchases	(65,477)	(2,760)
Proceeds received from sale of donated land	-	66,546
Purchases of investments	(3,605,299)	(3,949,210)
Proceeds from the sale of investments	3,551,098	3,479,376
Net Cash Used in Investing Activities	<u>(119,678)</u>	<u>(406,048)</u>
Net Increase in Cash and Cash Equivalents	455,022	277,934
Cash and Cash Equivalents, beginning of year	904,821	626,887
Cash and Cash Equivalents, end of year	<u>\$ 1,359,843</u>	<u>\$ 904,821</u>

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - The National Marfan Foundation, Inc. (the "Foundation"), based in Port Washington, New York was incorporated in 1981 in Maryland. It is the only national not-for-profit health organization that supports people with Marfan syndrome (a genetic disorder of connective tissue) and related disorders. The Foundation conducts comprehensive, multi-pronged public and medical awareness campaigns about these conditions; provides extensive education and support to patients and family members through a national network of chapters and network groups, an Information Resource Center that is staffed by a registered nurse, and peer-to-peer connections both on-line and in-person; and supports a robust research program that provides grants to scientists, convenes international symposia, and encourages young researchers in the field.

Basis of accounting - The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Donor-imposed restrictions - The Foundation reports gifts of cash or other assets as unrestricted, unless specifically restricted by the donor. When a donor 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 statements of activities and changes in net assets, as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restrictions in the same year by meeting the donor's restricted purposes are reflected in unrestricted net assets.

The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets - The net assets of the Foundation are classified and reported as follows:

General unrestricted - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Foundation.

Board designated unrestricted - Unrestricted net assets that have been designated for specific programs and general reserves by the board of directors.

Temporarily restricted - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Foundation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted - Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Foundation. Generally, the donors of these funds permit the Foundation to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes. The Foundation has no permanently restricted net assets.

Cash and cash equivalents - Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less, except that cash and cash equivalents held by investment managers is included in investments, as the Foundation considers these balances to be invested for long-term purposes.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Unconditional promises to give (pledges) - Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions have been substantially met.

Allowance for doubtful accounts and pledges - Management must make estimates of the uncollectability of all accounts and pledges receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts and pledges.

Property, equipment and depreciation - Property and equipment are capitalized at cost when acquired. Donated fixed assets are recorded at fair value at the date of donation. Depreciation is computed over periods ranging from 3 to 39 years on a straight-line basis.

Fair value - Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Foundation must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs), or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Investments - Investments are carried at fair value based upon their quoted market prices. Investments subject to the provisions of Accounting Standards Update 2009-12, "*Investments in Certain Entities That Calculate Net Asset Value per Share*", with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value. Gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Investments donated to the Foundation are recorded at fair value as of the date of the contribution.

Donated services - Donated services requiring specific expertise are recorded as in-kind contributions and expensed or capitalized at their fair values as determined by donors. For the years ended June 30, 2012 and 2011, the Foundation received donated legal services of approximately \$90,000 and \$119,000, respectively.

Tax-exempt status - The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Uncertain tax positions - Management has evaluated the Foundation's tax positions and concluded that the Foundation has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB Accounting Standards Codification ("ASC") No. 740. With few exceptions, the Foundation is no longer subject to income tax examinations by the United States federal, state or local tax authorities for the years before 2009, which is the standard statute of limitations look-back period.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

Evaluation of subsequent events - Management has evaluated subsequent events through November 5, 2012, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Reclassifications - Certain 2011 amounts and descriptions have been reclassified to conform to the 2012 financial statement presentation. These reclassifications have no effect on previously reported changes in net assets.

2. Investments

The composition of investments is as follows:

Years Ended June 30,	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 1,250,238	\$ 1,250,238	\$ 1,198,435	\$ 1,198,435
Certificates of Deposit	2,040,000	2,034,700	1,784,000	1,783,055
U.S. Government Securities	1,993,904	2,032,193	2,029,905	2,073,565
Corporate Bonds	168,882	169,568	179,204	181,072
Equities	343	410	343	375
Fixed Income Funds	526,392	564,462	588,998	620,496
	<u>\$ 5,979,759</u>	<u>\$ 6,051,571</u>	<u>\$ 5,780,885</u>	<u>\$ 5,856,998</u>

The above assets measured at fair value represent Level 1, Level 2 and Level 3 inputs within the fair value hierarchy and were classified as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Year Ended June 30, 2012			
U.S. Government Securities	\$ 2,032,193	\$ -	\$ -
Corporate Bonds	-	169,568	-
Equities	410	-	-
Fixed Income Funds	-	-	564,462
	<u>\$ 2,032,603</u>	<u>\$ 169,568</u>	<u>\$ 564,462</u>
Year Ended June 30, 2011			
U.S. Government Securities	\$ 2,073,565	\$ -	\$ -
Corporate Bonds	-	181,072	-
Equities	375	-	-
Fixed Income Funds	-	-	620,496
	<u>\$ 2,073,940</u>	<u>\$ 181,072</u>	<u>\$ 620,496</u>

Notes to Financial Statements*Years Ended June 30, 2012 and 2011*

The following is a reconciliation of Level 3 investments:

<i>Years Ended June 30,</i>	2012	2011
Balance, beginning of year	\$ 620,496	\$ 511,122
Total Gains/Losses (Realized/Unrealized) included in Changes in Net Assets	42,232	57,286
Purchases and Sales:		
Purchases	38,070	125,892
Sales	(136,336)	(73,804)
Balance, end of year	<u>\$ 564,462</u>	<u>\$ 620,496</u>
Amount of Total Gains/Losses Included in Changes in Net Assets Attributable to the Change in Unrealized Gains/Losses Related to Assets Held at June 30, 2012 and 2011	<u>\$ 6,573</u>	<u>\$ 5,819</u>

Investments classified as Level 3 consist of fixed income funds whose objective is maximum total return, consistent with preservation of capital and prudent investment management. One fund invests at least 80% of its portfolio in U.S. and foreign fixed income instruments including convertible securities, corporate debt securities, and U.S. Government securities. The other fund invests at least 80% of its portfolio in mortgage and asset-backed securities.

Investment income included in the statements of activities and changes in net assets consists of the following:

<i>Years Ended June 30,</i>	2012	2011
Interest and Dividends	\$ 104,075	\$ 142,512
Realized Gain on Investments	43,670	10,567
Unrealized Loss on Investments	(4,301)	(25,558)
Total Investment Income	<u>\$ 143,444</u>	<u>\$ 127,521</u>

3. Pledges Receivable

Pledges receivable, which consist of unconditional promises to give, are comprised of the following:

<i>June 30,</i>	2012	2011
Unconditional Promises to Give before Unamortized Discount	\$ 4,164,310	\$ 1,115,119
Less Unamortized Discount	(106,541)	-
Net Unconditional Promises to Give	<u>\$ 4,057,769</u>	<u>\$ 1,115,119</u>
Amounts Due in:		
One year	\$ 1,164,310	\$ 1,065,119
Two to five years	2,893,459	50,000
	<u>\$ 4,057,769</u>	<u>\$ 1,115,119</u>

The discount rate utilized to calculate the net present value of the pledges for the year ended June 30, 2012 was 1.83%.

Notes to Financial Statements

Years Ended June 30, 2012 and 2011

4. Board Designated Net Assets

The Foundation has restricted cash and cash equivalents and certificates of deposit included in the investment portfolio which represent board designated endowments, consisting of fellowship program funds and general reserve funds.

Board designated net assets consist of:

<i>Years Ended June 30,</i>	2012 Unrestricted	2011 Unrestricted
Board Designated Fellowship Program Funds	\$ 445,915	\$ 506,995
Board Designated Cash Reserve Funds	1,842,846	1,650,990
Total Board Designated Net Assets	<u>\$ 2,288,761</u>	<u>\$ 2,157,985</u>

The changes in board designated net assets were as follows:

<i>Years Ended June 30,</i>	2012 Unrestricted	2011 Unrestricted
Board Designated Net Assets, beginning of year	\$ 2,157,985	\$ 2,090,024
Investment Return:		
Investment income	8,076	17,130
Net depreciation	(1,240)	(5,398)
Investment Fees	(300)	(300)
Purchases	1,638,240	1,922,529
Sales	(1,451,000)	(1,678,000)
Transfers to Operating	(63,000)	(188,000)
Board Designated Net Assets, end of year	<u>\$ 2,288,761</u>	<u>\$ 2,157,985</u>

5. Property and Equipment, net

Property and Equipment, net, consists of the following:

<i>June 30,</i>	2012	2011
Land	\$ 107,927	\$ 107,927
Building and Improvements	794,824	792,474
Office Equipment, Furniture and Fixtures	401,537	338,410
	<u>1,304,288</u>	<u>1,238,811</u>
Less Accumulated Depreciation	517,015	480,305
	<u>\$ 787,273</u>	<u>\$ 758,506</u>

6. Note Payable

During both 2012 and 2011, the Foundation maintained a loan management account, which is a demand line of credit that bears interest at LIBOR plus 2.00%. The Foundation has access, at the discretion of the financial institution, to borrow certain percentages of the value of the Foundation's collateral accounts held by the financial institution. The amount of credit available to the Foundation at June 30, 2012 and 2011 consists of \$1,000,000. There were no outstanding borrowings at June 30, 2012 and 2011. The line of credit can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

Notes to Financial Statements*Years Ended June 30, 2012 and 2011***7. Deferred Revenue**

Amounts received by the Foundation for its annual conferences were deferred as the annual conferences occurred subsequent to the years ended June 30, 2012 and 2011.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted for the following:

<i>Years Ended June 30,</i>	2012	2011
Purpose Restricted:		
Scholarships	\$ 79,650	\$ 62,392
Research - Valve Sparing	87,948	177,386
General Research	4,943,459	352,172
Clinical Trials	3,155,541	3,858,259
Thoracic Aortic Disease ("TAD") Coalition	6,200	79,306
Technology Grant	-	28,517
Website Grant	25,000	-
Education Grant	11,920	22,385
Time Restricted:		
Charitable Remainder Trust	905,978	934,479
	<u>\$ 9,215,696</u>	<u>\$ 5,514,896</u>

During 2012 and 2011, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows:

<i>Years Ended June 30,</i>	2012	2011
Research - Valve Sparing	\$ 89,438	\$ 40,400
General Research	302,172	199,738
Clinical Trials	702,718	391,320
Thoracic Aortic Disease ("TAD") Coalition	73,106	-
Technology Grant	28,517	-
Education Grant	10,465	-
	<u>\$ 1,206,416</u>	<u>\$ 631,458</u>

9. Pension Plan

A defined contribution plan, as defined by Internal Revenue Code Section 403(b), is offered to all employees of the Foundation. The Foundation may provide a discretionary employer contribution provided an employee has reached 21 years of age, has completed at least one year of service, and is actively employed on the last day of the fiscal year. Employer contributions are allocated on the basis of the ratio that each eligible participant's compensation bears to the total compensation of all eligible participants for the fiscal year. Pension expense for the years ended June 30, 2012 and 2011 approximated \$25,000 for each year.

10. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments and pledges receivable. The Foundation places its temporary cash investments with various financial institutions. Such cash investments are in excess of the Federal Depository Insurance Corporation insurance limit throughout the year. The Foundation's pledges receivable are subject to various collection risks.