

THE MARFAN FOUNDATION, INC.

Port Washington, New York

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2014 and 2013

THE MARFAN FOUNDATION, INC.

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As of and For the Years Ended June 30, 2014 and 2013

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Financial Statements



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Marfan Foundation, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

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 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 auditors' 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 The Marfan Foundation, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Melville, New York
October 26, 2014



THE MARFAN FOUNDATION, INC.

Statements of Financial Position

<i>As of June 30,</i>	2014	2013
Assets		
Cash	\$ 573,482	\$ 624,862
Investments	6,605,155	5,642,099
Pledge Receivables, net	2,110,830	4,104,459
Prepaid Expenses and Other Current Assets	200,786	160,887
Property and Equipment, net	902,171	879,638
Beneficial Interest in Charitable Remainder Trust	989,527	946,269
Other Assets	142,869	135,125
Total Assets	\$ 11,524,820	\$ 12,493,339
Liabilities and Net Assets		
Liabilities:		
Accrued liabilities	\$ 183,291	\$ 303,716
Deferred income	200,344	131,779
Other payables	142,869	120,667
Total Liabilities	526,504	556,162
Net Assets:		
Unrestricted:		
General	2,023,793	1,917,152
Board designated	1,909,351	1,902,063
Temporarily restricted	7,065,172	8,117,962
Total Net Assets	10,998,316	11,937,177
Total Liabilities and Net Assets	\$ 11,524,820	\$ 12,493,339

THE MARFAN FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014 (with comparative totals for 2013)

	Unrestricted	Temporarily Restricted	Total	
			2014	2013
Revenues and Gains:				
Contributions	\$ 1,226,311	\$ 43,500	\$ 1,269,811	\$ 1,377,872
Memorials	90,009	-	90,009	82,278
Membership contributions	146,493	-	146,493	118,159
The Marfan Annual Conference	160,434	6,025	166,459	192,675
Other conferences and symposia	1,042	-	1,042	-
Program revenue	235	-	235	6,076
Net investment income (loss)	75,430	-	75,430	(6,905)
Events, net of direct expenses of \$373,623 and \$295,880, respectively	1,295,701	-	1,295,701	980,173
Change in value of beneficial interest in charitable remainder trust	-	43,258	43,258	40,291
Gifts in-kind	587,418	-	587,418	368,503
Net assets released from restriction	1,145,573	(1,145,573)	-	-
Total Revenues and Gains	4,728,646	(1,052,790)	3,675,856	3,159,122
Expenses:				
Program service expenses:				
Research initiatives and grants	1,409,045	-	1,409,045	1,569,615
Education and public awareness	1,087,341	-	1,087,341	792,964
Patient services and annual conference	1,049,918	-	1,049,918	922,050
Total program service expenses	3,546,304	-	3,546,304	3,284,629
Supporting service expenses:				
Management and general	419,798	-	419,798	357,942
Fundraising	648,615	-	648,615	563,050
Total supporting service expenses	1,068,413	-	1,068,413	920,992
Total Expenses	4,614,717	-	4,614,717	4,205,621
Increase (Decrease) in Net Assets	113,929	(1,052,790)	(938,861)	(1,046,499)
Net Assets, beginning of the year	3,819,215	8,117,962	11,937,177	12,983,676
Net Assets, end of the year	\$ 3,933,144	\$ 7,065,172	\$ 10,998,316	\$ 11,937,177

THE MARFAN FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues and Gains:			
Contributions	\$ 1,223,933	\$ 153,939	\$ 1,377,872
Memorials	82,278	-	82,278
Membership contributions	118,159	-	118,159
The Marfan Annual Conference	192,675	-	192,675
Program revenue	6,076	-	6,076
Net investment loss	(6,905)	-	(6,905)
Events, net of direct expenses of \$295,880	980,173	-	980,173
Change in value of beneficial interest in charitable remainder trust	-	40,291	40,291
Gifts in-kind	368,503	-	368,503
Net assets released from restriction	1,291,964	(1,291,964)	-
Total Revenues and Gains	4,256,856	(1,097,734)	3,159,122
Expenses:			
Program service expenses:			
Research initiatives and grants	1,569,615	-	1,569,615
Education and public awareness	792,964	-	792,964
Patient services and annual conference	922,050	-	922,050
Total program service expenses	3,284,629	-	3,284,629
Supporting service expenses:			
Management and general	357,942	-	357,942
Fundraising	563,050	-	563,050
Total supporting service expenses	920,992	-	920,992
Total Expenses	4,205,621	-	4,205,621
Increase (Decrease) in Net Assets	51,235	(1,097,734)	(1,046,499)
Net Assets, beginning of the year	3,767,980	9,215,696	12,983,676
Net Assets, end of the year	\$ 3,819,215	\$ 8,117,962	\$ 11,937,177

THE MARFAN FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2014 (with comparative totals for 2013)

	Program Services			Supporting Services		2014 Total Expenses	2013 Total Expenses
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising		
Awards and Fellowships	\$ 773,931	\$ 1,650	\$ 21,283	\$ -	\$ 163	\$ 797,027	\$ 1,078,310
Payroll	248,477	237,712	437,305	224,192	276,236	1,423,922	1,320,821
Payroll Taxes	18,721	18,648	37,707	19,113	22,167	116,356	97,402
Employee Benefits	21,529	24,367	40,176	21,091	35,376	142,539	120,176
Professional Fees	100,142	85,521	64,893	29,137	51,341	331,034	402,593
Telephone	2,464	1,277	8,682	3,688	1,884	17,995	17,202
Utilities	2,313	4,434	6,747	2,892	2,892	19,278	15,947
Repairs and Maintenance	1,974	3,784	5,759	2,468	2,468	16,453	15,285
Office Supplies	4,000	8,459	14,394	3,373	27,827	58,053	26,185
Equipment Rentals	778	1,492	2,270	973	973	6,486	6,780
Postage and Shipping	5,600	9,877	16,079	2,594	24,084	58,234	62,990
Printing and Publications	8,774	56,257	29,045	3,753	44,360	142,189	93,423
Information Technology	38,620	66,152	69,401	10,054	33,699	217,926	107,952
Annual Conference, Scientific Medical Governance and Other Meetings, including Related Travel	101,465	45,831	218,084	9,505	50,631	425,516	342,026
Insurance	-	-	-	19,917	-	19,917	17,932
Recruitment and Training	12,704	10,109	7,982	1,889	13,207	45,891	11,564
Fees and Permits	2,111	2,049	2,049	-	-	6,209	7,848
Dues and Subscriptions	2,686	16,734	1,734	1,524	-	22,678	5,191
Transaction Fees	10,924	10,924	11,044	10,924	10,911	54,727	36,295
Gifts In-kind	31,437	461,666	31,437	31,437	22,008	577,985	363,623
Uncollectible Account Expenses	-	-	-	-	8,000	8,000	160
Miscellaneous	7	10	3,459	886	-	4,362	14,641
Total Expenses before Depreciation	1,388,657	1,066,953	1,029,530	399,410	628,227	4,512,777	4,164,346
Depreciation	20,388	20,388	20,388	20,388	20,388	101,940	41,275
Total Expenses	<u>\$ 1,409,045</u>	<u>\$ 1,087,341</u>	<u>\$ 1,049,918</u>	<u>\$ 419,798</u>	<u>\$ 648,615</u>	<u>\$ 4,614,717</u>	<u>\$ 4,205,621</u>
Percent to Total Program and Supporting Service - Current	<u>30%</u>	<u>24%</u>	<u>23%</u>	<u>9%</u>	<u>14%</u>	<u>100%</u>	
Percent to Total Program and Supporting Service - Prior	<u>37%</u>	<u>19%</u>	<u>22%</u>	<u>9%</u>	<u>13%</u>		<u>100%</u>

See notes to financial statements.

THE MARFAN FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2013

	Program Services			Supporting Services		
	Research Initiatives and Grants	Education and Public Awareness	Patient Services and Annual Conference	Management and General	Fund Raising	2013 Total Expenses
Awards and Fellowships	\$ 1,055,585	\$ 5,000	\$ 16,625	\$ -	\$ 1,100	\$ 1,078,310
Payroll	218,284	212,075	400,917	194,164	295,381	1,320,821
Payroll Taxes	14,499	14,726	31,600	15,241	21,336	97,402
Employee Benefits	16,022	19,588	32,535	16,178	35,853	120,176
Professional Fees	111,777	124,849	83,552	31,852	50,563	402,593
Telephone	1,612	1,730	7,743	3,594	2,523	17,202
Utilities	1,914	3,668	5,581	2,392	2,392	15,947
Repairs and Maintenance	1,848	3,510	5,323	2,302	2,302	15,285
Office Supplies	3,811	3,969	8,247	3,643	6,515	26,185
Equipment Rentals	814	1,559	2,373	1,017	1,017	6,780
Postage and Shipping	4,934	9,705	18,354	3,117	26,880	62,990
Printing and Publications	10,204	17,439	27,742	2,046	35,992	93,423
Information Technology	22,781	31,409	35,184	5,427	13,151	107,952
Annual Conference, Scientific Medical Governance and Other Meetings, including Related Travel	60,495	54,993	192,297	16,830	17,411	342,026
Insurance	-	-	-	17,932	-	17,932
Recruitment and Training	1,368	1,476	1,460	1,331	5,929	11,564
Fees and Permits	1,561	4,772	1,515	-	-	7,848
Dues and Subscriptions	2,356	1,146	1,206	483	-	5,191
Transaction Fees	7,080	7,080	7,973	7,081	7,081	36,295
Gifts In-kind	24,400	265,973	24,400	24,400	24,450	363,623
Uncollectible Account Expenses	-	-	-	-	160	160
Miscellaneous	15	42	9,168	657	4,759	14,641
Total Expenses before Depreciation	1,561,360	784,709	913,795	349,687	554,795	4,164,346
Depreciation	8,255	8,255	8,255	8,255	8,255	41,275
Total Expenses	<u>\$ 1,569,615</u>	<u>\$ 792,964</u>	<u>\$ 922,050</u>	<u>\$ 357,942</u>	<u>\$ 563,050</u>	<u>\$ 4,205,621</u>
Percent to Total Program and Supporting Service	<u>37%</u>	<u>19%</u>	<u>22%</u>	<u>9%</u>	<u>13%</u>	<u>100%</u>

THE MARFAN FOUNDATION, INC.

Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (938,861)	\$ (1,046,499)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	101,940	41,275
Net realized and unrealized (gain) loss on investments	(19,955)	75,313
Uncollectible account expenses	8,000	160
Change in unamortized discount on pledges receivable	(17,971)	-
Change in beneficial interest in charitable remainder trust	(43,258)	(40,291)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Pledges receivable	2,003,600	(46,850)
Prepaid expenses and other current assets	(39,899)	(14,554)
Other assets	(7,744)	(36,341)
(Decrease) increase in operating liabilities:		
Accrued liabilities	(120,425)	79,703
Deferred income	68,565	30,701
Other payables	22,202	21,883
Net Cash Provided by (Used in) Operating Activities	<u>1,016,194</u>	<u>(935,500)</u>
Cash Flows from Investing Activities:		
Fixed asset purchases	(124,473)	(133,640)
Purchases of investments	(5,700,237)	(3,614,374)
Proceeds from the sale of investments	4,757,136	3,948,533
Net Cash (Used in) Provided by Investing Activities	<u>(1,067,574)</u>	<u>200,519</u>
Net Decrease in Cash and Cash Equivalents	(51,380)	(734,981)
Cash and Cash Equivalents, beginning of year	624,862	1,359,843
Cash and Cash Equivalents, end of year	<u>\$ 573,482</u>	<u>\$ 624,862</u>

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - The 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

As of and For the Years Ended June 30, 2014 and 2013

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 need for an allowance for doubtful accounts and pledges.

Property, equipment and depreciation - Property and equipment are capitalized at cost when acquired. Individual equipment purchases with an acquisition of \$2,000 or more and a useful life of more than three years and group equipment purchases with an acquisition of \$5,000 or more and a useful life of more than three years are capitalized. 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, 2014 and 2013, the Foundation received donated legal services from a board member of approximately \$157,000 and \$122,000, respectively. The Foundation also received donated website advertisements of approximately \$430,000 and \$247,000 for the years ended June 30, 2014 and June 30, 2013, 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 2011, 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 changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

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.

Evaluation of subsequent events - Management has evaluated subsequent events through October 26, 2014, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Reclassifications - Certain 2013 amounts and descriptions have been reclassified to conform to the 2014 financial statements 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,	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 3,312,068	\$ 3,312,068	\$ 1,276,001	\$ 1,276,001
Certificates of Deposit	1,277,000	1,274,620	1,814,087	1,809,363
U.S. Government Securities	1,340,303	1,337,221	1,822,858	1,783,705
Corporate Bonds	177,396	178,088	233,245	232,489
Equities	343	429	343	397
Fixed Income Funds	518,896	502,729	522,645	540,144
	<u>\$ 6,626,006</u>	<u>\$ 6,605,155</u>	<u>\$ 5,669,179</u>	<u>\$ 5,642,099</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, 2014			
U.S. Government Securities	\$ 1,337,221	\$ -	\$ -
Corporate Bonds	-	178,088	-
Equities	429	-	-
Fixed Income Funds	-	-	502,729
	<u>\$ 1,337,650</u>	<u>\$ 178,088</u>	<u>\$ 502,729</u>
Year Ended June 30, 2013			
U.S. Government Securities	\$ 1,783,705	\$ -	\$ -
Corporate Bonds	-	232,489	-
Equities	397	-	-
Fixed Income Funds	-	-	540,144
	<u>\$ 1,784,102</u>	<u>\$ 232,489</u>	<u>\$ 540,144</u>

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Fixed income funds are valued primarily by employing a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, and other relevant information to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Valuations may be based upon current market prices of securities that are comparable in coupon, rating, maturity, and industry. The objective of these funds is maximum total return, consistent with preservation of capital and prudent investment management. One fund invests at least 80% of its assets in a portfolio of U.S. and foreign fixed income instruments including corporate debt securities of U.S. and non-U.S. issuers (including convertible securities and corporate commercial paper), inflation-indexed bonds issued by corporations, and structured notes (including hybrid or "indexed" securities and event-linked bonds). The other fund invests at least 80% of its assets in a portfolio of mortgage and asset-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, mortgage dollar rolls, and stripped mortgage-backed securities.

The following is a reconciliation of Level 3 investments:

<i>Years Ended June 30,</i>	2014	2013
Balance, beginning of year	\$ 540,144	\$ 564,462
Total Gains/Losses (Realized/Unrealized) included in Changes in Net Assets	20,077	18,309
Purchases and Sales:		
Purchases	974,290	14,914
Sales	(1,031,782)	(57,541)
Balance, end of year	<u>\$ 502,729</u>	<u>\$ 540,144</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, 2014 and 2013	<u>\$ (33,666)</u>	<u>\$ (20,571)</u>

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

<i>Years Ended June 30,</i>	2014	2013
Interest and Dividends	\$ 55,475	\$ 68,408
Realized Gain on Investments	13,726	23,579
Unrealized Gain/(Loss) on Investments	6,229	(98,892)
Total Investment Income (Loss)	<u>\$ 75,430</u>	<u>\$ (6,905)</u>

Investment management fees are included with professional fees on the statement of functional expenses. These fees were approximately \$21,000 and \$25,000 for the fiscal years ended June 30, 2014 and June 30, 2013, respectively.

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

3. Pledges Receivable

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

June 30,	2014	2013
Unconditional Promises to Give before Unamortized Discount	\$ 2,199,400	\$ 4,211,000
Less Unamortized Discount	(88,570)	(106,541)
Net Unconditional Promises to Give	<u>\$ 2,110,830</u>	<u>\$ 4,104,459</u>
Amounts Due in:		
One year	\$ 1,199,400	\$ 1,211,000
Two to five years	911,430	2,893,459
	<u>\$ 2,110,830</u>	<u>\$ 4,104,459</u>

The discount rate utilized to calculate the net present value of the pledges for the years ended June 30, 2014 and June 30, 2013 was 1.83%.

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 general reserve funds.

Board designated net assets consist of board designated cash reserve funds of \$1,909,351 and \$1,902,063 at June 30, 2014 and 2013, respectively.

The changes in board designated net assets were as follows:

Years Ended June 30,	2014 Unrestricted	2013 Unrestricted
Board Designated Net Assets, beginning of year	\$ 1,902,063	\$ 2,288,761
Investment Return:		
Investment income	5,517	5,676
Net appreciation	1,921	432
Investment Fees	(150)	(150)
Purchases	1,374,000	1,486,259
Sales	(1,374,000)	(1,433,000)
Transfers	-	(445,915)
Board Designated Net Assets, end of year	<u>\$ 1,909,351</u>	<u>\$ 1,902,063</u>

5. Property and Equipment, net

Property and Equipment, net, consists of the following:

June 30,	2014	2013
Land	\$ 107,927	\$ 107,927
Building and Improvements	804,724	794,824
Office Equipment, Furniture and Fixtures	443,204	401,890
Website	182,876	-
Website in Progress	-	130,770
	<u>1,538,731</u>	<u>1,435,411</u>
Less Accumulated Depreciation	<u>636,560</u>	<u>555,773</u>
	<u>\$ 902,171</u>	<u>\$ 879,638</u>

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

6. Line of Credit

During both 2014 and 2013, 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, 2014 and 2013 consists of \$1,000,000. There were no outstanding borrowings at June 30, 2014 and 2013. The line of credit can be terminated by the financial institution once the Foundation no longer holds accounts with the financial institution.

7. Deferred Income

Amounts received by the Foundation for its annual conference and other events were deferred as these events occurred subsequent to the years ended June 30, 2014 and 2013.

8. Temporarily Restricted Net Assets

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

<i>June 30,</i>	2014	2013
Purpose Restricted:		
Scholarships	\$ 70,396	\$ 64,371
Research - Valve Sparing	178,848	135,348
General Research	3,662,502	4,397,086
Clinical Trials	2,153,212	2,462,148
Thoracic Aortic Disease ("TAD") Coalition	10,687	62,740
School Nurse Project Grant	-	50,000
Time Restricted:		
Charitable Remainder Trust	989,527	946,269
	\$ 7,065,172	\$ 8,117,962

During 2014 and 2013, 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>	2014	2013
Scholarships	\$ -	\$ 15,279
General Research	734,583	546,373
Clinical Trials	308,937	693,392
Thoracic Aortic Disease ("TAD") Coalition	52,053	-
Website Grant	-	25,000
School Nurse Project Grant	50,000	-
Education Grant	-	11,920
	\$ 1,145,573	\$ 1,291,964

Notes to Financial Statements

As of and For the Years Ended June 30, 2014 and 2013

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, worked a minimum of 1,000 hours in the plan's fiscal year, and is actively employed on the last day of the plan's 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 plan's fiscal year. Pension expense for the years ended June 30, 2014 and 2013 was \$45,000 and \$40,000, respectively.

The Foundation maintains a 457(b) deferred compensation plan (the "Plan") for one employee. Pursuant to the Plan agreement, the Plan's assets are considered general assets of the Foundation until the assets are distributed to the beneficiary. As a result, the Plan's net assets available for benefits of \$142,869 and \$120,667 as of June 30, 2014 and 2013, respectively, are included in other assets and other payables in the Foundation's statements of financial position. The Foundation made employer contributions into the Plan totaling \$17,500 for each of the years ended June 30, 2014 and 2013.

10. Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments and pledges receivable. The Foundation maintains its cash, cash equivalents and temporary cash investments in various financial institutions which, at time, may exceed the Federal Deposit Insurance Corporation insurance limit. The Foundation's pledges receivable are subject to various collection risks. At June 30, 2014 and 2013, approximately 91% and 95%, respectively, of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.