

THE MARFAN FOUNDATION, INC.

Port Washington, New York

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2015 and 2014

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Financial Statements

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Marfan Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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, 2015 and 2014, 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 24, 2015

THE MARFAN FOUNDATION, INC.

Statements of Financial Position

| <i>As of June 30,</i> | 2015 | 2014 |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 886,725 | \$ 573,482 |
| Investments | 6,599,015 | 6,605,155 |
| Pledge Receivables, net | 1,062,550 | 2,110,830 |
| Prepaid Expenses and Other Current Assets | 121,498 | 200,786 |
| Property and Equipment, net | 796,233 | 902,171 |
| Beneficial Interest in Charitable Remainder Trust | 979,175 | 989,527 |
| Other Assets | 163,016 | 142,869 |
| Total Assets | <u>\$ 10,608,212</u> | <u>\$ 11,524,820</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accrued liabilities | \$ 166,111 | \$ 183,291 |
| Deferred income | 158,970 | 200,344 |
| Other payables | 163,016 | 142,869 |
| Total Liabilities | <u>488,097</u> | <u>526,504</u> |
| Net Assets: | | |
| Unrestricted: | | |
| General | 2,141,921 | 2,023,793 |
| Board designated | 1,915,019 | 1,909,351 |
| Temporarily restricted | 6,063,175 | 7,065,172 |
| Total Net Assets | <u>10,120,115</u> | <u>10,998,316</u> |
| Total Liabilities and Net Assets | <u>\$ 10,608,212</u> | <u>\$ 11,524,820</u> |

THE MARFAN FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2015 (with comparative totals for 2014)

| | Unrestricted | Temporarily Restricted | Total | |
|--|--------------|---------------------------|---------------|---------------|
| | | | 2015 | 2014 |
| Revenues and Gains: | | | | |
| Contributions | \$ 1,399,707 | \$ 318,515 | \$ 1,718,222 | \$ 1,416,539 |
| Memorials | 90,706 | - | 90,706 | 90,009 |
| The Marfan Annual Conference | 214,560 | - | 214,560 | 166,459 |
| Other conferences and symposia | 107,915 | - | 107,915 | 1,042 |
| Net investment income | 21,074 | - | 21,074 | 75,430 |
| Events, net of direct expenses of \$382,798 and \$373,623, respectively | 1,418,022 | - | 1,418,022 | 1,295,701 |
| Change in value of beneficial interest in charitable remainder trust | - | (10,352) | (10,352) | 43,258 |
| Gifts in-kind | 496,685 | - | 496,685 | 587,418 |
| Net assets released from restriction | 1,310,160 | (1,310,160) | - | - |
| Total Revenues and Gains | 5,058,829 | (1,001,997) | 4,056,832 | 3,675,856 |
| Expenses: | | | | |
| Program service expenses: | | | | |
| Research initiatives and grants | 1,885,273 | - | 1,885,273 | 1,409,045 |
| Education and public awareness | 866,572 | - | 866,572 | 1,087,341 |
| Patient services and annual conference | 1,098,465 | - | 1,098,465 | 1,049,918 |
| Total program service expenses | 3,850,310 | - | 3,850,310 | 3,546,304 |
| Supporting service expenses: | | | | |
| Management and general | 540,875 | - | 540,875 | 419,798 |
| Fundraising | 543,848 | - | 543,848 | 648,615 |
| Total supporting service expenses | 1,084,723 | - | 1,084,723 | 1,068,413 |
| Total Expenses | 4,935,033 | - | 4,935,033 | 4,614,717 |
| Increase (Decrease) in Net Assets | 123,796 | (1,001,997) | (878,201) | (938,861) |
| Net Assets, beginning of the year | 3,933,144 | 7,065,172 | 10,998,316 | 11,937,177 |
| Net Assets, end of the year | \$ 4,056,940 | \$ 6,063,175 | \$ 10,120,115 | \$ 10,998,316 |

THE MARFAN FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---|--------------|---------------------------|---------------|
| Revenues and Gains: | | | |
| Contributions | \$ 1,373,039 | \$ 43,500 | \$ 1,416,539 |
| Memorials | 90,009 | - | 90,009 |
| The Marfan Annual Conference | 160,434 | 6,025 | 166,459 |
| Other conferences and symposia | 1,042 | - | 1,042 |
| Net investment income | 75,430 | - | 75,430 |
| Events, net of direct expenses of \$373,623 | 1,295,701 | - | 1,295,701 |
| Change in value of beneficial interest in charitable remainder trust | - | 43,258 | 43,258 |
| Gifts in-kind | 587,418 | - | 587,418 |
| Net assets released from restriction | 1,145,573 | (1,145,573) | - |
| Total Revenues and Gains | 4,728,646 | (1,052,790) | 3,675,856 |
| Expenses: | | | |
| Program service expenses: | | | |
| Research initiatives and grants | 1,409,045 | - | 1,409,045 |
| Education and public awareness | 1,087,341 | - | 1,087,341 |
| Patient services and annual conference | 1,049,918 | - | 1,049,918 |
| Total program service expenses | 3,546,304 | - | 3,546,304 |
| Supporting service expenses: | | | |
| Management and general | 419,798 | - | 419,798 |
| Fundraising | 648,615 | - | 648,615 |
| Total supporting service expenses | 1,068,413 | - | 1,068,413 |
| Total Expenses | 4,614,717 | - | 4,614,717 |
| Increase (Decrease) in Net Assets | 113,929 | (1,052,790) | (938,861) |
| Net Assets, beginning of the year | 3,819,215 | 8,117,962 | 11,937,177 |
| Net Assets, end of the year | \$ 3,933,144 | \$ 7,065,172 | \$ 10,998,316 |

Statement of Functional Expenses

For the Year Ended June 30, 2015 (with comparative totals for 2014)

| | Program Services | | | Supporting Services | | 2015 | 2014 |
|---|--|---|---|------------------------------|--------------------------|---------------------------|----------------------------|
| | Research Initiatives and Grants | Education and Public Awareness | Patient Services and Annual Conference | Management and General | Fund Raising | Total Expenses | Total Expenses |
| Awards and Fellowships | \$ 1,058,361 | \$ 5,000 | \$ 20,569 | \$ - | \$ - | \$1,083,930 | \$ 797,027 |
| Payroll | 330,979 | 254,506 | 488,496 | 291,660 | 126,941 | 1,492,582 | 1,423,922 |
| Payroll Taxes | 23,196 | 17,964 | 37,887 | 22,833 | 10,696 | 112,576 | 116,356 |
| Employee Benefits | 34,769 | 32,349 | 57,576 | 34,082 | 23,946 | 182,722 | 142,539 |
| Professional Fees | 82,924 | 79,772 | 37,163 | 43,927 | 83,246 | 327,032 | 331,034 |
| Telephone | 2,860 | 3,763 | 7,173 | 2,979 | 2,979 | 19,754 | 17,995 |
| Utilities | 2,566 | 4,551 | 6,926 | 2,872 | 2,872 | 19,787 | 19,278 |
| Repairs and Maintenance | 3,001 | 5,145 | 7,663 | 3,071 | 3,071 | 21,951 | 16,453 |
| Office Supplies | 2,978 | 4,096 | 14,412 | 2,956 | 10,061 | 34,503 | 58,053 |
| Equipment Rentals | 876 | 1,559 | 2,373 | 986 | 986 | 6,780 | 6,486 |
| Postage and Shipping | 3,583 | 16,363 | 12,787 | 1,685 | 60,232 | 94,650 | 58,234 |
| Printing and Publications | 8,329 | 30,125 | 22,413 | 997 | 48,152 | 110,016 | 142,189 |
| Information Technology | 25,531 | 31,537 | 63,202 | 15,529 | 29,910 | 165,709 | 217,926 |
| Annual Conference, Scientific Medical Governance and Other Meetings, including Related Travel | 207,109 | 49,238 | 222,689 | 8,938 | 36,456 | 524,430 | 425,516 |
| Insurance | - | - | 1,000 | 19,827 | - | 20,827 | 19,917 |
| Recruitment and Training | 7,308 | 5,961 | 4,640 | 1,381 | 7,788 | 27,078 | 45,891 |
| Fees and Permits | 2,616 | 2,539 | 2,539 | - | - | 7,694 | 6,209 |
| Dues and Subscriptions | 3,254 | 13,424 | 2,145 | 394 | 454 | 19,671 | 22,678 |
| Transaction Fees | 11,167 | 11,167 | 11,381 | 11,167 | 11,166 | 56,048 | 54,727 |
| Gifts In-kind | 52,436 | 276,173 | 52,436 | 52,436 | 63,204 | 496,685 | 577,985 |
| Uncollectible Account Expenses | - | - | - | - | - | - | 8,000 |
| Miscellaneous | 242 | 152 | 1,808 | 1,968 | 500 | 4,670 | 4,362 |
| Total Expenses before Depreciation | 1,864,085 | 845,384 | 1,077,278 | 519,688 | 522,660 | 4,829,095 | 4,512,777 |
| Depreciation | 21,188 | 21,188 | 21,187 | 21,187 | 21,188 | 105,938 | 101,940 |
| Total Expenses | <u><u>\$ 1,885,273</u></u> | <u><u>\$ 866,572</u></u> | <u><u>\$ 1,098,465</u></u> | <u><u>\$ 540,875</u></u> | <u><u>\$ 543,848</u></u> | <u><u>\$4,935,033</u></u> | <u><u>\$ 4,614,717</u></u> |
| Percent to Total Program and Supporting Service - Current | <u>38%</u> | <u>18%</u> | <u>22%</u> | <u>11%</u> | <u>11%</u> | <u>100%</u> | |
| Percent to Total Program and Supporting Service - Prior | <u>30%</u> | <u>24%</u> | <u>23%</u> | <u>9%</u> | <u>14%</u> | | <u>100%</u> |

See notes to financial statements.

Statement of Functional Expenses

For the Year Ended June 30, 2014

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

Statements of Cash Flows

| <i>For the Years Ended June 30,</i> | 2015 | 2014 |
|--|-------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Decrease in net assets | \$ (878,201) | \$ (938,861) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | | |
| Depreciation | 105,938 | 101,940 |
| Net realized and unrealized loss (gain) on investments | 6,490 | (19,955) |
| Uncollectible account expenses | - | 8,000 |
| Change in unamortized discount on pledges receivable | (35,620) | (17,971) |
| Change in beneficial interest in charitable remainder trust | 10,352 | (43,258) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in operating assets: | | |
| Pledges receivable | 1,083,900 | 2,003,600 |
| Prepaid expenses and other current assets | 79,288 | (39,899) |
| Other assets | (20,147) | (7,744) |
| (Decrease) increase in operating liabilities: | | |
| Accrued liabilities | (17,180) | (120,425) |
| Deferred income | (41,374) | 68,565 |
| Other payables | 20,147 | 22,202 |
| Net Cash Provided by Operating Activities | <u>313,593</u> | <u>1,016,194</u> |
| Cash Flows from Investing Activities: | | |
| Fixed asset purchases | - | (124,473) |
| Purchases of investments | (4,859,271) | (5,700,237) |
| Proceeds from the sale of investments | 4,858,921 | 4,757,136 |
| Net Cash Used in Investing Activities | <u>(350)</u> | <u>(1,067,574)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 313,243 | (51,380) |
| Cash and Cash Equivalents, beginning of year | 573,482 | 624,862 |
| Cash and Cash Equivalents, end of year | <u>\$ 886,725</u> | <u>\$ 573,482</u> |

Notes to Financial Statements

As of and for the Years Ended June 30, 2015 and 2014

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, 2015 and 2014

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. As of June 30, 2015 and 2014, no allowance for doubtful accounts and pledges was necessary.

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.

Beneficial interest in charitable remainder trust - The Foundation's beneficial interest in charitable remainder trust (the "Trust") is valued at the fair value of the underlying investments held within the Trust as reported by the third-party trustee.

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, 2015 and 2014, the Foundation received donated legal services from a board member of approximately \$262,000 and \$157,000, respectively. The Foundation also received donated website advertisements of approximately \$235,000 and \$430,000 for the years ended June 30, 2015 and 2014, 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 2012, 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, 2015 and 2014

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 24, 2015, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Reclassifications - Certain 2014 amounts and descriptions have been reclassified to conform to the 2015 financial statements presentation. These reclassifications have no effect on previously reported changes in net assets.

2. Investments

The composition of investments is as follows:

| For the Years Ended June 30, | 2015 | | 2014 | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and Cash Equivalents | \$ 3,445,912 | \$ 3,445,912 | \$ 3,312,068 | \$ 3,312,068 |
| Certificates of Deposit | 2,387,000 | 2,383,397 | 1,277,000 | 1,274,620 |
| U.S. Government Securities | 643,187 | 647,682 | 1,340,303 | 1,337,221 |
| Corporate Bonds | 121,614 | 121,547 | 177,396 | 178,088 |
| Equities | 343 | 477 | 343 | 429 |
| Fixed Income Funds | - | - | 518,896 | 502,729 |
| | <u>\$ 6,598,056</u> | <u>\$ 6,599,015</u> | <u>\$ 6,626,006</u> | <u>\$ 6,605,155</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) |
|---|--|---|-------------------------------------|
| For the Year Ended June 30, 2015 | | | |
| U.S. Government Securities | \$ 647,682 | \$ - | \$ - |
| Corporate Bonds | - | 121,547 | - |
| Equities | 477 | - | - |
| | <u>\$ 648,159</u> | <u>\$ 121,547</u> | <u>\$ -</u> |
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| For the 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> |

Notes to Financial Statements

As of and for the Years Ended June 30, 2015 and 2014

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, which were sold during fiscal year 2015, 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>For the Years Ended June 30,</i> | 2015 | 2014 |
|---|------------------|--------------------|
| Balance, beginning of year | \$ 502,729 | \$ 540,144 |
| Total Gains/Losses (Realized/Unrealized) included in Changes in Net Assets | (5,143) | 20,077 |
| Purchases and Sales: | | |
| Purchases | 104,810 | 974,290 |
| Sales | (602,396) | (1,031,782) |
| Balance, end of year | <u>\$ -</u> | <u>\$ 502,729</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, 2015 and 2014 | <u>\$ 16,167</u> | <u>\$ (33,666)</u> |

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

| <i>For the Years Ended June 30,</i> | 2015 | 2014 |
|-------------------------------------|------------------|------------------|
| Interest and Dividends | \$ 27,564 | \$ 55,475 |
| Realized (Loss)/Gain on Investments | (28,300) | 13,726 |
| Unrealized Gain on Investments | 21,810 | 6,229 |
| Total Investment Income | <u>\$ 21,074</u> | <u>\$ 75,430</u> |

Investment management fees are included with professional fees on the statement of functional expenses. These fees were approximately \$11,000 and \$21,000 for the fiscal years ended June 30, 2015 and 2014, respectively.

Notes to Financial Statements

As of and for the Years Ended June 30, 2015 and 2014

3. Pledges Receivable

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

| As of June 30, | 2015 | 2014 |
|--|---------------------|---------------------|
| Unconditional Promises to Give before Unamortized Discount | \$ 1,115,500 | \$ 2,199,400 |
| Less Unamortized Discount | (52,950) | (88,570) |
| Net Unconditional Promises to Give | <u>\$ 1,062,550</u> | <u>\$ 2,110,830</u> |
| Amounts Due in: | | |
| One year | \$ 1,062,550 | \$ 1,199,400 |
| Two to five years | - | 911,430 |
| | <u>\$ 1,062,550</u> | <u>\$ 2,110,830</u> |

The discount rate utilized to calculate the net present value of the pledges for the years ended June 30, 2015 and 2014 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 \$1,915,019 and \$1,909,351 as of June 30, 2015 and 2014, respectively.

The changes in board designated net assets were as follows:

| For the Years Ended June 30, | 2015 Unrestricted | 2014 Unrestricted |
|--|----------------------|----------------------|
| Board Designated Net Assets, beginning of year | \$ 1,909,351 | \$ 1,902,063 |
| Investment Return: | | |
| Investment income | 6,240 | 5,517 |
| Net appreciation | 16 | 1,921 |
| Investment Fees | (150) | (150) |
| Purchases | 1,237,000 | 1,374,000 |
| Sales | (1,237,438) | (1,374,000) |
| Board Designated Net Assets, end of year | <u>\$ 1,915,019</u> | <u>\$ 1,909,351</u> |

5. Property and Equipment, net

Property and Equipment, net, consists of the following:

| As of June 30, | 2015 | 2014 |
|--|-------------------|-------------------|
| Land | \$ 107,927 | \$ 107,927 |
| Building and Improvements | 804,724 | 804,724 |
| Office Equipment, Furniture and Fixtures | 439,204 | 443,204 |
| Website | 182,876 | 182,876 |
| | <u>1,534,731</u> | <u>1,538,731</u> |
| Less Accumulated Depreciation | <u>738,498</u> | <u>636,560</u> |
| | <u>\$ 796,233</u> | <u>\$ 902,171</u> |

Notes to Financial Statements

As of and for the Years Ended June 30, 2015 and 2014

6. Line of Credit

During both 2015 and 2014, 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, 2015 and 2014 consists of \$1,000,000. There were no outstanding borrowings at June 30, 2015 and 2014. 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, 2015 and 2014.

8. Temporarily Restricted Net Assets

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

| <i>As of June 30,</i> | 2015 | 2014 |
|---|---------------------|---------------------|
| Purpose Restricted: | | |
| Scholarships | \$ 46,235 | \$ 70,396 |
| Research - Valve Sparing | 282,363 | 178,848 |
| General Research | 2,976,797 | 3,662,502 |
| Clinical Trials | 1,755,149 | 2,153,212 |
| Thoracic Aortic Disease ("TAD") Coalition | 8,456 | 10,687 |
| Parent's Toolkit Project Grant | 15,000 | - |
| Time Restricted: | | |
| Charitable Remainder Trust | 979,175 | 989,527 |
| | <u>\$ 6,063,175</u> | <u>\$ 7,065,172</u> |

During 2015 and 2014, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors, as follows:

| <i>For the Years Ended June 30,</i> | 2015 | 2014 |
|---|---------------------|---------------------|
| Scholarships | \$ 24,161 | \$ - |
| General Research | 885,705 | 734,583 |
| Clinical Trials | 398,063 | 308,937 |
| Thoracic Aortic Disease ("TAD") Coalition | 2,231 | 52,053 |
| School Nurse Project Grant | - | 50,000 |
| | <u>\$ 1,310,160</u> | <u>\$ 1,145,573</u> |

Notes to Financial Statements

As of and for the Years Ended June 30, 2015 and 2014

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 each of the years ended June 30, 2015 and 2014 was \$45,000.

The Foundation maintains a 457(b) deferred compensation plan (the "Plan") for two current employees. 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 \$163,016 and \$142,869 as of June 30, 2015 and 2014, respectively, are included in other assets and other payables in the Foundation's statements of financial position. The Foundation expensed employer contributions for the Plan totaling \$28,000 and \$17,500 for the years ended June 30, 2015 and 2014, respectively. Of these contributions, approximately \$10,000 were accrued for but not yet remitted to the Plan as of June 30, 2015. The corresponding liability for this unfunded contribution is included in accrued liabilities within the statements of financial position.

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, 2015 and 2014, approximately 90% and 91%, respectively, of pledges receivable were from one private foundation. Management believes such pledge amounts are fully collectible.