

**ADULT CONGENITAL HEART ASOCIATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)**

**ADULT CONGENITAL HEART ASSOCIATION  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Adult Congenital Heart Association  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Adult Congenital Heart Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

The Board of Directors  
Adult Congenital Heart Association

***Opinion***

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The 2014 summarized comparative information was derived from Adult Congenital Heart Association's 2014 financial statements. Those 2014 financial statements were audited by other auditors, whose report dated May 20, 2015 expressed an unmodified audit opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
May 15, 2016

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(WITH COMPARATIVE TOTALS FOR 2014)**

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash	\$ 702,138	\$ 494,677
Grants and Contributions Receivable	449,737	410,340
Contracts and Other Receivables	-	4,950
Prepaid Expenses	48,454	27,033
Total Current Assets	1,200,329	937,000
<b>NON-CURRENT ASSETS</b>		
Investments	206,890	114,822
Furniture and Equipment, Net	23,853	25,294
Deposits	6,000	8,270
Total Non-Current Assets	236,743	148,386
Total Assets	\$ 1,437,072	\$ 1,085,386
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 206,087	\$ 82,117
Accrued Payroll	14,700	19,939
Deferred Revenue	47,320	9,296
Total Current Liabilities	268,107	111,352
<b>NET ASSETS</b>		
Unrestricted	581,857	411,999
Temporarily Restricted	587,108	562,035
Total Net Assets	1,168,965	974,034
Total Liabilities and Net Assets	\$ 1,437,072	\$ 1,085,386

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**  
**(WITH COMPARATIVE TOTALS FOR 2014)**

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
<b>REVENUE</b>				
Grant Revenue	\$ -	\$ 463,000	\$ 463,000	\$ 614,700
Contributions	1,466,670	101,643	1,568,313	1,268,084
Membership Dues	20,080	-	20,080	19,090
Program and Events	34,832	46,000	80,832	150,461
Other Revenue	213	-	213	859
Investment Income (Loss)	(4,667)	-	(4,667)	4,656
Net Assets Released from Restriction	585,570	(585,570)	-	-
Total Revenue	<u>2,102,698</u>	<u>25,073</u>	<u>2,127,771</u>	<u>2,057,850</u>
<b>EXPENSES</b>				
Program	1,486,617	-	1,486,617	1,488,234
Administrative	150,704	-	150,704	219,580
Fundraising	295,519	-	295,519	146,124
Total Expenses	<u>1,932,840</u>	<u>-</u>	<u>1,932,840</u>	<u>1,853,938</u>
Change in Net Assets	169,858	25,073	194,931	203,912
Net Assets - Beginning of Year	<u>411,999</u>	<u>562,035</u>	<u>974,034</u>	<u>770,122</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 581,857</u>	<u>\$ 587,108</u>	<u>\$ 1,168,965</u>	<u>\$ 974,034</u>

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total 2015</u>	<u>Total 2014</u>
Salaries	\$ 520,905	\$ 73,812	\$ 188,772	\$ 783,489	\$ 593,261
Payroll Taxes	42,424	6,097	14,946	63,467	51,727
Employee Benefits	55,438	6,785	11,057	73,280	49,025
Consultants	184,569	24,557	15,334	224,460	323,229
Rent	23,520	2,528	9,352	35,400	25,250
Insurance	4,226	708	1,730	6,664	5,252
Office Expenses	156,983	9,376	15,721	182,080	133,211
Telephone and Internet	10,628	1,119	4,785	16,532	15,178
Postage	10,543	863	4,687	16,093	18,471
Printing	41,305	1,660	8,384	51,349	48,266
Equipment, Repair and Maintenance	3,022	540	1,450	5,012	9,539
Fellowship Award	160,000	-	-	160,000	80,000
Congenital Heart Walk	136,230	-	-	136,230	131,134
Other Program Supplies	48,210	6,162	5,690	60,062	257,264
Travel	88,614	5,143	13,500	107,257	100,938
Board and Staff Development	-	4,240	111	4,351	5,779
Depreciation	-	7,114	-	7,114	6,414
	<u>\$ 1,486,617</u>	<u>\$ 150,704</u>	<u>\$ 295,519</u>	<u>\$ 1,932,840</u>	<u>\$ 1,853,938</u>

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(WITH COMPARATIVE TOTALS FOR 2014)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 194,931	\$ 203,912
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	7,114	6,414
Net Unrealized and Realized Loss on Investments	11,338	61
(Increase) Decrease in:		
Grants and Contributions Receivable	(39,397)	(210,230)
Contract and Other Receivable	4,950	(4,950)
Prepaid Expenses	(21,421)	14,290
Deposits	2,270	(6,158)
Increase (Decrease) in:		
Accounts Payable	123,970	(51,047)
Accrued Payroll	(5,239)	(5,736)
Deferred Revenue	38,024	776
Net Cash Provided (Used) by Operating Activities	316,540	(52,668)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(159,164)	(58,838)
Reinvested Dividends, Net	(3,467)	(2,398)
Proceeds from Sales of Investments	59,224	-
Purchase of Office Furniture and Equipment	(5,672)	(22,819)
Purchase of Leasehold Improvements	-	(1,139)
Net Cash Used by Investing Activities	(109,079)	(85,194)
<b>NET INCREASE (DECREASE) IN CASH</b>	207,461	(137,862)
Cash - Beginning of Year	494,677	632,539
<b>CASH - END OF YEAR</b>	\$ 702,138	\$ 494,677

See accompanying Notes to Financial Statements.



**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

**Basis of Accounting**

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

**Basis of Presentation**

ACHA reports information regarding its financial position and activities according to three classes of net assets, as follows:

*Unrestricted net assets* are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* are subject to donor-imposed stipulations that will be met either by actions of ACHA or the passage of time. Temporarily restricted net assets include pledges and contributions receivable and grants to be spent over a specific time period.

*Permanently restricted net assets* are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by ACHA.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash**

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents. ACHA maintains its bank accounts in financial institutions with insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances may at times exceed this amount.

Cash includes balances restricted to use within the guidelines of grants from the organization's funding sources. These balances totaled approximately \$194,600 and \$172,300 as of December 31, 2015 and 2014, respectively.

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

In accordance with FASB ASC 820-10 (formerly SFAS No. 157), investments are reported using fair value measurements as detailed in Note 3. ACHA incurred investment fees of \$1,613 and \$995 during the year ended December 31, 2015 and 2014, respectively.

**Allowance for Uncollectible Amounts**

Each account receivable and grant receivable is evaluated separately by management to determine collectability. An allowance for uncollectible amounts, if any, is based on this determination. There was no allowance at December 31, 2015 and 2014, as all amounts were considered collectible.

**Deferred Revenue**

Deferred revenue consists of accreditation fees and other program fees collected in advance of the period in which they are earned.

**Recognition of Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Amounts released from restriction totaled \$585,570 and \$411,289 for the years ended December 31, 2015 and 2014, respectively.

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

**Income Tax Status**

ACHA is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986.

ACHA follows the income tax standard for uncertain tax positions. The application of this standard had no impact on the association's financial statements for the year ended December 31, 2015.

ACHA's informational tax returns are subject to review and examination by federal, state, and local authorities. The organization is not aware of any activities that would jeopardize its tax-exempt status.

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with ACHA's financial statements for the year ended December 31, 2014, from which the comparative totals were derived.

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification has no effect on previously reported net asset amounts.

**Subsequent Events**

In preparing these financial statements, ACHA has evaluated events and transactions for potential recognition or disclosure through May 15, 2016, the date the financial statements were available to be issued.

**Functional Allocation of Expenses**

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

	<u>2015</u>	<u>2014</u>
Education Program		
Patient Family Services	251,326	231,282
National Conference	16,203	423,018
Professional Services	401,539	220,043
Walks	489,146	472,429
	<u>1,158,214</u>	<u>1,346,772</u>
Advocacy/Outreach		
Outreach Events	198,525	26,872
Advocacy	38,111	56,721
Research	-	21,366
Policy/Federal Relations	91,767	36,503
	<u>328,403</u>	<u>141,462</u>
Total Program	<u>1,486,617</u>	<u>1,488,234</u>
Administrative		
Strategic Planning	30,827	33,474
Other	119,877	186,106
Total Administrative	<u>150,704</u>	<u>219,580</u>
Fundraising	295,519	146,124
	<u>\$ 1,932,840</u>	<u>\$ 1,853,938</u>

**ADULT CONGENITAL HEART ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Represents amount due within one year as follows:

	2015	2014
Actelion Pharmaceuticals		
Heart to Heart/Member Services	380,000	390,000
Regional Events	30,000	-
James Wong Private Foundation		
Accreditation	-	3,000
St. Jude Medical Foundation		
Patient Member Services	-	5,000
Houston Methodist Hospital		
Conference	20,000	-
Texas Children's Hospital		
Conference	7,500	-
Other	12,237	12,340
	\$ 449,737	\$ 410,340

**NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

**Fair Value Measurements**

ACHA follows the accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. ACHA accounts for certain assets at fair value under applicable industry guidance. All investments are measured at fair value based on this guidance. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. ACHA also follows the accounting standard that allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis.

**Fair Value Hierarchy**

In accordance with accounting standards, ACHA has categorized certain financial assets on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the asset.

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* - Financial assets whose values are based on unadjusted quoted prices for identical assets in an active market that ACHA has the ability to access

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 2* - Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset. Level 2 inputs include the following:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset.

*Level 3* - Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset.

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

	Fair Value Measurements Using:		
	Cost	Fair Value	(Level 1)
<u>December 31, 2015:</u>			
Cash and Money Market Funds	\$ 5,711	\$ 5,711	\$ 5,711
Mutual Funds	216,816	201,179	201,179
	<u>\$ 222,527</u>	<u>\$ 206,890</u>	<u>\$ 206,890</u>
<u>December 31, 2014:</u>			
Cash and Money Market Funds	\$ 3,540	\$ 3,540	\$ 3,540
Mutual Funds	109,588	111,282	111,282
	<u>\$ 113,128</u>	<u>\$ 114,822</u>	<u>\$ 114,822</u>

Investment income (loss) was comprised of the following for the years ended December 31:

	2015	2014
Interest and Dividends	\$ 6,671	\$ 4,717
Net Realized and Unrealized Loss	(11,338)	(61)
Total	<u>\$ (4,667)</u>	<u>\$ 4,656</u>

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 LINE OF CREDIT**

ACHA has a line of credit, dated June 30, 2010, with Valley Green Bank in the amount of \$50,000, which is currently available until June 30, 2016, and renewable annually. Outstanding balances carry an interest rate of prime + 1%, with a floor of 6.5%, and are secured by the Organization's business assets. The rate was 6.5% as of December 31, 2015. There was no outstanding balance as of December 31, 2015 and 2014.

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are composed of the following:

	<u>2015</u>	<u>2014</u>
Fellowship	204,000	214,000
Patient/Family Member Services	25,000	75,035
Ambassador	45,000	80,000
Regional Events	41,000	42,000
Conference	141,643	-
Accreditation	79,667	33,000
Patch	-	80,000
Advocacy Day	5,000	20,000
General Outreach	-	18,000
Marketing	45,798	-
	<u>\$ 587,108</u>	<u>\$ 562,035</u>

All temporarily restricted net assets are expected to be released in 2016, with the exception of \$16,000 included in Accreditation which will be released in 2017 and 2018.

**NOTE 6 CONCENTRATION OF REVENUE SOURCES**

For the year ended December 31, 2015, revenue from one source was in excess of 10% of the organizations revenue. Revenue from this source totaled approximately \$410,000 or 20% of total revenue.

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 7    COMMITMENTS**

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

Rental expense was \$35,400 and \$25,250 for the years ended December 31, 2015 and 2014, respectively.

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

<u>Years Ending December 31,</u>	<u>Office Space</u>	<u>Equipment</u>
2016	36,000	1,036
2017	37,080	1,036
2018	38,192	1,036
2019	40,518	1,036
	<u>\$ 151,790</u>	<u>\$ 4,144</u>

ACHA has a signed contract for hotel and meeting space for its 2016 conference. Per the terms of this contract, the total outstanding commitment as of December 31, 2015 was approximately \$85,118.