

ADULT CONGENITAL HEART ASSOCIATION

FINANCIAL REPORT
December 31, 2012
(With Comparative Totals for 2011)

ADULT CONGENITAL HEART ASSOCIATION

TABLE OF CONTENTS

	<u>Page No.</u>
<u>FINANCIAL REPORT</u>	
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Schedule of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

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**DENNIS NATALI, CPA
JOSEPH P. LEONARD, CPA**

Independent Auditor's Report

The Board of Directors
Adult Congenital Heart Association
Philadelphia, PA

We have audited the accompanying financial statements of Adult Congenital Heart Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year's summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated April 10, 2012 we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Snyder, Daitz & Company

SNYDER, DAITZ & COMPANY

June 4, 2013

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF FINANCIAL POSITION

December 31, 2012

(With comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 391,436	\$ 141,771
Grants and contributions receivable	448,867	289,707
Contract and other receivable	0	57,225
Prepaid expenses	15,237	8,092
	<hr/>	<hr/>
Total Current Assets	\$ 855,540	\$ 496,795
 <u>NON-CURRENT ASSETS</u>		
Furniture and equipment	\$ 19,895	\$ 15,403
Less: Accumulated depreciation	(10,387)	(4,054)
	<hr/>	<hr/>
	\$ 9,508	\$ 11,349
	<hr/>	<hr/>
	\$ 865,048	\$ 508,144
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 38,241	\$ 27,022
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Unrestricted	\$ 203,840	\$ 116,150
Temporarily restricted	622,967	364,972
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	\$ 826,807	\$ 481,122
	<hr/>	<hr/>
Total Liabilities & Net Assets	\$ 865,048	\$ 508,144
	<hr/> <hr/>	<hr/> <hr/>

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

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF ACTIVITIES Year ended December 31, 2012 (With comparative totals for 2011)

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011
REVENUE				
Grant revenue	\$ 20,000	\$ 605,712	\$ 625,712	\$ 436,000
Other donations	868,396	19,065	887,461	668,644
Contract revenue	87,952		87,952	105,070
Membership dues	20,737		20,737	16,183
Program and events	2,646		2,646	119,098
Other revenue	961		961	1,347
Interest earned	328		328	0
Net Assets released from Restriction	366,782	(366,782)	0	0
	<u>\$ 1,367,802</u>	<u>\$ 257,995</u>	<u>\$ 1,625,797</u>	<u>\$ 1,346,342</u>
EXPENDITURES				
Program	\$ 971,111		\$ 971,111	\$ 839,803
Administrative	150,874		150,874	147,843
Fundraising	158,127		158,127	105,481
	<u>\$ 1,280,112</u>	<u>0</u>	<u>\$ 1,280,112</u>	<u>\$ 1,093,127</u>
Change in Net Assets	\$ 87,690	\$ 257,995	\$ 345,685	\$ 253,215
Net Assets, Beginning	116,150	364,972	481,122	227,907
Net Assets, Ending	<u>\$ 203,840</u>	<u>\$ 622,967</u>	<u>\$ 826,807</u>	<u>\$ 481,122</u>

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

ADULT CONGENITAL HEART ASSOCIATION

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2012

(With comparative totals for 2011)

	Program	Administrative	Fund Raising	Total 2012	Total 2011
Salaries	\$ 412,320	\$ 67,106	\$ 80,983	\$ 560,409	\$ 386,864
Payroll taxes	36,277	5,848	6,845	48,970	36,716
Employee benefits	45,144	10,359	13,278	68,781	40,241
Consultants	123,472	21,880	8,938	154,290	195,959
Rent	14,644	2,454	2,902	20,000	17,650
Insurance	3,450	657	785	4,892	3,771
Office and administrative expenses	63,663	9,312	1,447	74,422	54,416
Telephone and internet	10,759	3,187	2,693	16,639	15,732
Postage	8,556	706	5,998	15,260	12,738
Printing	30,667	455	16,424	47,546	30,435
Equipment, repair and maintenance	7,859	1,399	10,924	20,182	22,602
Conference expenses	20,000	0	0	20,000	31,978
Other program costs	120,307	2,560	808	123,675	159,948
Travel	69,118	6,530	4,546	80,194	69,384
Board and staff development	570	12,188	411	13,169	6,594
Accounting fees	0	5,350	0	5,350	5,150
Interest expense	0	0	0	0	32
Depreciation	4,305	883	1,145	6,333	2,917
	<u>\$ 971,111</u>	<u>\$ 150,874</u>	<u>\$ 158,127</u>	<u>\$ 1,280,112</u>	<u>\$ 1,093,127</u>

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

ADULT CONGENITAL HEART ASSOCIATION

STATEMENT OF CASH FLOWS Year ended December 31, 2012 (With comparative totals for 2011)

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 345,685	\$ 253,215
Adjustments to reconcile to cash from operations		
Depreciation	6,333	2,917
(Increase) decrease in:		
Grants and contributions receivable	(159,160)	(259,207)
Contract receivable	57,225	(45,397)
Prepaid expenses	(7,145)	(4,389)
Increase (decrease) in:		
Accounts payable	11,219	(14,766)
	\$ 254,157	\$ (67,627)
Net Cash Provided (used) by Operations		
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of office furniture & equipment	\$ (4,492)	\$ (9,718)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
	0	0
Net increase (decrease) in cash for the year	\$ 249,665	\$ (77,345)
Cash Balance, beginning	141,771	219,116
Cash Balance, ending	\$ 391,436	\$ 141,771
 <u>SUPPLEMENTAL DISCLOSURES:</u>		
Cash paid for interest	0	\$ 32

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

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Organization

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

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

Date of Management's Review

Subsequent events were evaluated through June 4, 2013, which is the date the financial statements were available to be issued.

Basis of Accounting

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

Basis of Presentation

The financial statements are presented in accordance with FASB ASC 598 (formerly Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations), which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash and other highly liquid investments with maturities of three months or less are considered to be cash equivalents.

The organization maintains its bank accounts in financial institutions with insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances may at times exceed this amount.

Cash includes balances restricted to use within the guidelines of grants from the organization's funding sources. These balances totaled approximately \$202,300 and \$105,000 as of December 31, 2012 and 2011, respectively.

Allowance For Uncollectible Amounts

Each account receivable and grant receivable is evaluated separately by management to determine collectibility. An allowance for uncollectible amounts, if any, is based on this determination. There was no allowance at December 31, 2012 and 2011, as all amounts were considered collectible.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 \$366,782 and \$280,098 for the years ended December 31, 2012 and 2011, respectively.

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

Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation.

Income Taxes

The organization is a nonprofit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 1 - THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

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

Expenses per functional category are as follows:

	2012	2011
Educational Program		
Outreach and events	\$ 0	\$ 205,358
Member support and information	144,002	39,984
Meetings and educational events	108,319	44,820
Volunteer training	102,096	67,698
Walks	283,280	154,518
	<u>\$ 637,697</u>	<u>\$ 512,378</u>
Outreach Programs		
Outreach Events	<u>\$ 182,714</u>	<u>\$ 101,010</u>
Advocacy		
Lobby Day	\$ 49,298	\$ 18,712
Legislative	0	32,580
	<u>\$ 49,298</u>	<u>\$ 51,292</u>
Research	<u>\$ 101,402</u>	<u>\$ 175,123</u>
Total Programs	<u>\$ 971,111</u>	<u>\$ 839,803</u>
Administrative		
Strategic planning	\$ 77,986	\$ 58,652
Other	72,888	89,191
Total Administrative	<u>\$ 150,874</u>	<u>\$ 147,843</u>
Fund Raising	<u>\$ 158,127</u>	<u>\$ 105,481</u>
	<u>\$1,280,112</u>	<u>\$1,093,127</u>

NOTE 2 - GRANTS RECEIVABLE

Represents an amount due within one year as follows:

	2012	2011
Actelion Pharmaceuticals		
Heart to Heart Programs	\$390,712	\$200,000
Medtronic Foundation		
Don't Get Lost Communication Initiative	0	60,000
James Wong Private Foundation		
Research	25,000	0
St. Jude Medical Foundation		
Heart to Heart Programs	5,000	0
Other	28,155	29,707
	<u>\$448,867</u>	<u>\$289,707</u>

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 3 - LINE OF CREDIT

The Organization has available a line of credit, dated June 30, 2010, with Valley Green Bank in the amount of \$50,000, which is 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, 2012. There was no outstanding balance as of December 31, 2012 and 2011.

NOTE 4 - NET ASSETS

Unrestricted Net Assets

Unrestricted net assets represent funds retained by the Adult Congenital Heart Association that were received without any donor-imposed restrictions. In addition, donor-restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources restricted by the donor as to time or use with the expectation that such restrictions will be satisfied in the future.

Temporarily restricted net assets are composed of the following:

	<u>2012</u>	<u>2011</u>
Fellowship	\$246,810	0
Education material	0	\$123,436
Heart to Heart	100,000	0
Patch	100,000	0
Regional events	43,902	0
General Outreach	40,000	59,630
Ambassador	25,000	77,668
Web education	0	74,000
Advocacy day	30,000	6,625
Research	25,000	1,250
Scholarship fund	2,255	775
Time restricted operating	10,000	21,588
	<u>\$622,967</u>	<u>\$364,972</u>

Permanently Restricted Funds

Permanently restricted net assets represent resources subject to a donor-imposed restriction that they be permanently maintained. The organization has not received any such contributions.

NOTE 5 - CONCENTRATION OF REVENUE SOURCES

For the year ended December 31, 2012, revenue from one source was in excess of 10% of the organization's revenue. Revenue from this source totaled approximately \$521,000 or 32% of total revenue.

For the year ended December 31, 2011, revenue from one source was in excess of 10% of the organization's revenue. Revenue from this source totaled approximately \$250,000 or 19% of total revenue.

ADULT CONGENITAL HEART ASSOCIATION

NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

NOTE 6 - LEASE COMMITMENTS

The Organization has entered into a lease for office space for a term which extends through May 2013. Total monthly rent is \$1,400 through the end of the lease, for an annual rent of \$16,800. Additional space is under lease on a month to month basis.

Rental expense was \$20,000 and \$17,650 for the years ended December 31, 2012 and 2011, respectively.

Future minimum payments under the lease are as follows:

Years ending December 31, 2013	\$7,000
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and none thereafter