

**ADULT CONGENITAL HEART ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)**

**ADULT CONGENITAL HEART ASSOCIATION  
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## 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, 2016, 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.

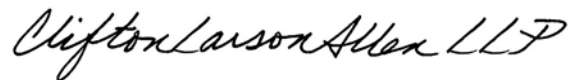
The Board of Directors  
Adult Congenital Heart Association

***Opinion***

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association as of December 31, 2016, and the changes 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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
May 3, 2017

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash	\$ 853,841	\$ 702,138
Grants and Contributions Receivable	554,347	449,737
Prepaid Expenses	62,448	48,454
Total Current Assets	1,470,636	1,200,329
<b>NON-CURRENT ASSETS</b>		
Investments	233,925	206,890
Fixed Assets, Net	49,278	23,853
Deposits	6,000	6,000
Total Non-Current Assets	289,203	236,743
Total Assets	\$ 1,759,839	\$ 1,437,072
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 190,243	\$ 206,087
Accrued Payroll	15,498	14,700
Deferred Revenue	275,402	47,320
Total Current Liabilities	481,143	268,107
<b>NET ASSETS</b>		
Unrestricted	493,762	555,203
Board Designated (Accreditation Program)	73,337	26,654
Temporarily Restricted	711,597	587,108
Total Net Assets	1,278,696	1,168,965
Total Liabilities and Net Assets	\$ 1,759,839	\$ 1,437,072

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
<b>REVENUE</b>				
Grant Revenue	\$ 36,500	\$ 562,500	\$ 599,000	\$ 463,000
Contributions	1,513,063	1,846	1,514,909	1,568,313
Membership Dues	15,680	-	15,680	20,080
Program and Events	126,467	47,250	173,717	80,832
Other Revenue	158	-	158	213
Investment Income (Loss)	16,650	-	16,650	(4,667)
Net Assets Released from Restriction	487,107	(487,107)	-	-
Total Revenue	<u>2,195,625</u>	<u>124,489</u>	<u>2,320,114</u>	<u>2,127,771</u>
<b>EXPENSES</b>				
Program	1,683,033	-	1,683,033	1,486,617
Administrative	239,578	-	239,578	150,704
Fundraising	287,772	-	287,772	295,519
Total Expenses	<u>2,210,383</u>	<u>-</u>	<u>2,210,383</u>	<u>1,932,840</u>
Change in Net Assets	(14,758)	124,489	109,731	194,931
Net Assets - Beginning of Year	<u>581,857</u>	<u>587,108</u>	<u>1,168,965</u>	<u>974,034</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 567,099</u>	<u>\$ 711,597</u>	<u>\$ 1,278,696</u>	<u>\$ 1,168,965</u>

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total 2016</u>	<u>Total 2015</u>
Salaries	\$ 624,053	\$ 111,420	\$ 179,773	\$ 915,246	\$ 783,489
Payroll Taxes	58,053	10,325	16,704	85,082	63,467
Employee Benefits	91,393	16,834	15,765	123,992	73,280
Consultants	238,069	59,618	17,151	314,838	224,460
Rent	26,931	3,189	6,960	37,080	35,400
Insurance	3,258	855	914	5,027	6,664
Office Expenses	137,726	12,091	16,508	166,325	182,080
Telephone and Internet	13,704	1,292	4,018	19,014	16,532
Postage	12,735	617	2,630	15,982	16,093
Printing	42,572	3,297	7,658	53,527	51,349
Equipment, Repair and Maintenance	-	-	-	-	5,012
Fellowship Award	160,000	-	-	160,000	160,000
Congenital Heart Walk	163,539	-	-	163,539	136,230
Other Program Supplies	54,204	3,829	2,908	60,941	60,062
Travel	56,463	1,134	16,783	74,380	107,257
Board and Staff Development	333	2,350	-	2,683	4,351
Depreciation and Amortization	-	12,727	-	12,727	7,114
	<u>\$ 1,683,033</u>	<u>\$ 239,578</u>	<u>\$ 287,772</u>	<u>\$ 2,210,383</u>	<u>\$ 1,932,840</u>

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 109,731	\$ 194,931
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	12,727	7,114
Net Unrealized and Realized (Gain) Loss on Investments	(10,297)	11,338
(Increase) Decrease in:		
Grants and Contributions Receivable	(104,610)	(39,397)
Contract and Other Receivable	-	4,950
Prepaid Expenses	(13,994)	(21,421)
Deposits	-	2,270
Increase (Decrease) in:		
Accounts Payable	(15,844)	123,970
Accrued Payroll	798	(5,239)
Deferred Revenue	228,082	38,024
Net Cash Provided by Operating Activities	206,593	316,540
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(46,833)	(159,164)
Reinvested Dividends, Net	(5,080)	(3,467)
Proceeds from Sales of Investments	35,493	59,224
Purchase of Fixed Assets	(38,470)	(5,672)
Net Cash Used by Investing Activities	(54,890)	(109,079)
 <b>NET INCREASE IN CASH</b>	151,703	207,461
 Cash - Beginning of Year	702,138	494,677
 <b>CASH - END OF YEAR</b>	\$ 853,841	\$ 702,138

See accompanying Notes to Financial Statements.



**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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.

**ADULT CONGENITAL HEART ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

**Investments**

In accordance with FASB ASC 820-10, investments are reported using fair value measurements as detailed in Note 3. ACHA incurred investment fees of \$2,222 and \$1,613 during the year ended December 31, 2016 and 2015, 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, 2016 and 2015, as all amounts were considered collectible.

**Fixed Assets**

Fixed Assets are defined as a unit of property that: 1) has an economic useful life that extends beyond 12 months; and 2) was acquired or produced for a cost of \$1,000 or more. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets. Office equipment and furniture are depreciated over five years. Computer equipment and website development is depreciated and amortized, respectively, over three years.

**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 \$487,107 and \$585,570 for the years ended December 31, 2016 and 2015, 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.

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

**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, 2016. 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.

**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, 2015, 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 3, 2017, the date the financial statements were available to be issued.

**ADULT CONGENITAL HEART ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF 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 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>2016</u>	<u>2015</u>
Education Program		
Patient Family Services	200,384	251,326
National Conference	120,224	16,203
Professional Services	432,261	401,539
Walks	580,010	489,146
	<u>1,332,879</u>	<u>1,158,214</u>
Advocacy/Outreach		
Outreach Events	183,142	198,525
Advocacy	40,713	38,111
Policy/Federal Relations	126,299	91,767
	<u>350,154</u>	<u>328,403</u>
Total Program	<u>1,683,033</u>	<u>1,486,617</u>
Administrative		
Strategic Planning	17,454	30,827
Other	222,124	119,877
Total Administrative	<u>239,578</u>	<u>150,704</u>
Fundraising	287,772	295,519
	<u>\$ 2,210,383</u>	<u>\$ 1,932,840</u>

**NOTE 2 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Represents amount due within one year as follows:

	<u>2016</u>	<u>2015</u>
Actelion Pharmaceuticals		
Heart to Heart/Member Services	470,000	380,000
Regional Events	30,000	30,000
Edward Life Sciences		
Heart to Heart/Member Services	20,000	-
Regional Events	10,000	-
Houston Methodist Hospital		
Conference	-	20,000
Texas Children's Hospital		
Conference	-	7,500
Other	24,347	12,237
	<u>\$ 554,347</u>	<u>\$ 449,737</u>

**ADULT CONGENITAL HEART ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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

*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.

**ADULT CONGENITAL HEART ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

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, 2016:</u>			
Cash and Money Market Funds	\$ 3,418	\$ 3,418	\$ 3,418
Mutual Funds	231,717	230,507	230,507
	<u>\$ 235,135</u>	<u>\$ 233,925</u>	<u>\$ 233,925</u>
<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>

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

	2016	2015
Interest and Dividends	\$ 6,353	\$ 6,671
Net Realized and Unrealized Gain (Loss)	10,297	(11,338)
Total	<u>\$ 16,650</u>	<u>\$ (4,667)</u>

**NOTE 4 FIXED ASSETS**

Fixed assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Leasehold Improvements	\$ 2,180	\$ 1,140
Equipment	56,648	52,335
Website	32,798	-
Total	<u>91,626</u>	<u>53,475</u>
Less: Accumulated Depreciation and Amortization	(42,348)	(29,622)
Total Property and Equipment	<u>\$ 49,278</u>	<u>\$ 23,853</u>

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 5 LINE OF CREDIT**

ACHA has a line of credit, dated June 30, 2010, with Valley Green Bank in the amount of \$150,000, which is currently available until August 17, 2016 and renewable annually. Outstanding balances carry an interest rate of prime + 1.5%, with a floor of 6.5%, and are secured by the Organization's business assets. The rate was 5.25% as of December 31, 2016. There was no outstanding balance as of December 31, 2016 and 2015.

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are composed of the following:

	<u>2016</u>	<u>2015</u>
Fellowship	204,000	204,000
Patient/Family Member Services	77,300	25,000
Ambassador	85,200	45,000
Regional Events	45,000	41,000
Conference	129,097	141,643
Accreditation	66,000	79,667
Advocacy Day	5,000	5,000
Marketing	100,000	45,798
	<u>\$ 711,597</u>	<u>\$ 587,108</u>

All temporarily restricted net assets are expected to be released in 2017, with the exception of \$8,000 included in Accreditation which will be released in 2018.

**NOTE 7 CONCENTRATION OF REVENUE SOURCES**

For the years ended December 31, 2016 and 2015, revenue from one source was in excess of 10% of the organizations revenue. Revenue from this source totaled approximately \$500,000 and \$410,000 or 21% and 19% of total revenue.

**ADULT CONGENITAL HEART ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 8      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 \$37,080 and \$35,400 for the years ended December 31, 2016 and 2015, 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>
2017	38,192	1,036
2018	39,338	1,036
2019	40,518	1,036
	<u>\$ 118,048</u>	<u>\$ 3,108</u>

ACHA has a signed contract for hotel and meeting space for its 2017 conference. Per the terms of this contract, the total outstanding commitment as of December 31, 2016 was approximately \$85,118.