

ADULT CONGENITAL HEART ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**ADULT CONGENITAL HEART ASSOCIATION
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YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

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, 2017, 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.

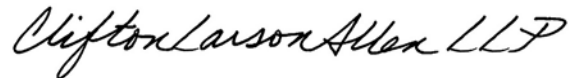
Board of Directors
Adult Congenital Heart Association

Opinion

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association (ACHA) as of December 31, 2017, 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 Adult Congenital Heart Association's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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
March 27, 2018

**ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

ASSETS	2017	2016
CURRENT ASSETS		
Cash	\$ 1,369,150	\$ 853,841
Grants and Contributions Receivable	122,526	554,347
Prepaid Expenses	32,401	62,448
Total Current Assets	1,524,077	1,470,636
NONCURRENT ASSETS		
Investments	270,238	233,925
Fixed Assets, Net	35,654	49,278
Deposits	6,000	6,000
Total Noncurrent Asses	311,892	289,203
Total Assets	\$ 1,835,969	\$ 1,759,839
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 189,892	\$ 190,243
Accrued Payroll	23,970	15,498
Deferred Revenue	220,845	275,402
Total Current Liabilities	434,707	481,143
NET ASSETS		
Unrestricted	558,634	493,762
Board Designated (Accreditation Program)	196,473	73,337
Temporarily Restricted	646,155	711,597
Total Net Assets	1,401,262	1,278,696
Total Liabilities and Net Assets	\$ 1,835,969	\$ 1,759,839

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE				
Grant Revenue	\$ 1,500	\$ 632,500	\$ 634,000	\$ 599,000
Contributions	1,614,204	5,654	1,619,858	1,514,909
Donated Services	292,500	-	292,500	77,700
Membership Dues	12,145	-	12,145	15,680
Program and Events	247,029	-	247,029	173,717
Other Revenue	940	-	940	158
Investment Income	42,064	-	42,064	16,650
Net Assets Released from Restriction	703,596	(703,596)	-	-
Total Revenue	<u>2,913,978</u>	<u>(65,442)</u>	<u>2,848,536</u>	<u>2,397,814</u>
EXPENSES				
Program	2,012,048	-	2,012,048	1,528,729
Administrative	240,615	-	240,615	239,578
Fundraising	473,307	-	473,307	519,776
Total Expenses	<u>2,725,970</u>	<u>-</u>	<u>2,725,970</u>	<u>2,288,083</u>
Change in Net Assets	188,008	(65,442)	122,566	109,731
Net Assets - Beginning of Year	<u>567,099</u>	<u>711,597</u>	<u>1,278,696</u>	<u>1,168,965</u>
NET ASSETS - END OF YEAR	<u><u>\$ 755,107</u></u>	<u><u>\$ 646,155</u></u>	<u><u>\$ 1,401,262</u></u>	<u><u>\$ 1,278,696</u></u>

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

	Program	Administrative	Fundraising	2017 Total	2016 Total
Salaries	\$ 536,077	\$ 134,554	\$ 238,482	\$ 909,113	\$ 915,246
Payroll taxes	49,203	11,638	21,479	82,320	85,082
Employee Benefits	65,418	12,235	24,262	101,915	99,608
Consultants	112,672	24,772	171	137,615	137,856
Meals	161,560	-	354	161,914	25,487
Marketing Consultants	37,687	-	138	37,825	14,723
Professional Fees	92,215	9,917	11,752	113,884	163,371
Public Relations Campaigns	30,943	-	174	31,117	-
Conference Financial Aid	12,084	-	-	12,084	6,171
Fellowship Award	160,000	-	-	160,000	160,000
Credit Card/Merchant Service Fees	63,723	-	42,482	106,205	103,421
Medical Provider Fees - In-Kind	292,500	-	-	292,500	77,700
Program Materials	127,822	23,314	57,790	208,926	185,388
Travel	109,310	2,505	26,917	138,732	81,869
Rent	26,100	5,534	6,558	38,192	37,080
Software	32,211	366	9,390	41,967	42,027
Office Supplies and Equipment	6,232	950	1,623	8,805	7,815
Postage	11,979	190	4,991	17,160	15,982
Printing	37,724	656	17,360	55,740	53,527
Telephone and Internet	9,729	1,542	2,931	14,202	15,664
IT Support	5,901	897	1,501	8,299	34,868
Insurance	3,217	682	808	4,707	5,027
Board and Staff Development	16,808	3,908	4,144	24,860	7,283
Depreciation/Amortization	10,933	6,955	-	17,888	12,889
	<u>\$ 2,012,048</u>	<u>\$ 240,615</u>	<u>\$ 473,307</u>	<u>\$ 2,725,970</u>	<u>\$ 2,288,084</u>

See accompanying Notes to Financial Statements.

ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 122,566	\$ 109,731
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	17,888	12,727
Net Unrealized and Realized Gain on Investments	(32,536)	(10,297)
(Increase) Decrease in:		
Grants and Contributions Receivable	431,821	(104,610)
Prepaid Expenses	30,047	(13,994)
Increase (Decrease) in:		
Accounts Payable	(351)	(15,844)
Accrued Payroll	8,472	798
Deferred Revenue	(54,557)	228,082
Net Cash Provided by Operating Activities	523,350	206,593
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(68,560)	(46,833)
Reinvested Dividends, Net	(3,777)	(5,080)
Proceeds from Sales of Investments	68,559	35,493
Purchase of Fixed Assets	(4,263)	(38,470)
Net Cash Used by Investing Activities	(8,041)	(54,890)
 NET INCREASE IN CASH	515,309	151,703
 Cash - Beginning of Year	853,841	702,138
 CASH - END OF YEAR	\$ 1,369,150	\$ 853,841

See accompanying Notes to Financial Statements.

**ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 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 accounting principles generally accepted in the United States of America, 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. The Board has designated unrestricted net assets for specific program purposes.

Temporarily Restricted Net Assets – 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 – Subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by ACHA. ACHA has no permanently restricted net assets.

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 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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

In accordance with accounting standards, investments are reported using fair value measurements as detailed in Note 3. ACHA incurred investment fees of \$2,488 and \$2,222 during the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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 \$703,596 and \$484,107 for the years ended December 31, 2017 and 2016, respectively.

Unconditional promises to give that are expected to be collected in future periods are recorded at the time the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ACHA's financial statements for the year ended December 31, 2016, from which the comparative totals were derived.

Subsequent Events

In preparing these financial statements, ACHA has evaluated events and transactions for potential recognition or disclosure through March 27, 2018, the date the financial statements were available to be issued.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets or changes in net assets amounts.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 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>2017</u>	<u>2016</u>
Education Program:		
Patient Family Services	\$ 225,603	\$ 200,384
National Conference	307,818	120,224
Professional Services	666,746	509,961
Walks	416,412	348,006
Total	<u>1,616,579</u>	<u>1,178,575</u>
Advocacy/Outreach:		
Outreach Events	210,646	183,142
Advocacy	45,452	40,713
Research	-	-
Policy/Federal Relations	139,371	126,299
Total	<u>395,469</u>	<u>350,154</u>
Total Program	2,012,048	1,528,729
Administrative:		
Strategic Planning	25,454	17,454
Other	215,161	222,124
Total Administrative	<u>240,615</u>	<u>239,578</u>
Fundraising	473,307	519,776
	<u>\$ 2,725,970</u>	<u>\$ 2,288,083</u>

NOTE 2 GRANTS AND CONTRIBUTIONS RECEIVABLE

Represents amount due within one year as follows:

	<u>2017</u>	<u>2016</u>
Actelion Pharmaceuticals:		
Heart to Heart/Member Services	\$ 100,000	\$ 470,000
Regional Events	-	30,000
Edward Life Sciences:		
Heart to Heart/Member Services	-	20,000
Regional Events	-	10,000
Other	22,526	24,347
Total	<u>\$ 122,526</u>	<u>\$ 554,347</u>

**ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 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 accounting standards. 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 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 does not carry Level 2 or Level 3 investments.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 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, 2017</u>			
Cash and Money Market Funds	\$ 4,594	\$ 4,594	\$ 4,594
Mutual Funds	234,918	265,644	265,644
Total	\$ 239,512	\$ 270,238	\$ 270,238
<u>December 31, 2016</u>			
Cash and Money Market Funds	\$ 3,418	\$ 3,418	\$ 3,418
Mutual Funds	231,717	230,507	230,507
Total	\$ 235,135	\$ 233,925	\$ 233,925

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

	2017	2016
Interest and Dividends	\$ 9,528	\$ 6,353
Net Realized and Unrealized Gain	32,536	10,297
Total	\$ 42,064	\$ 16,650

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at December 31, 2017 and 2016:

	2017	2016
Leasehold Improvements	\$ 2,180	\$ 2,180
Equipment	61,074	89,446
Website	32,798	-
Total	96,052	91,626
Less: Accumulated Depreciation and Amortization	(60,398)	(42,348)
Total Property and Equipment	\$ 35,654	\$ 49,278

**ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2018 and renewable annually. Outstanding balances carry an interest rate of prime + 1.5%, with a floor of 6.5%, and are secured by ACHA's business assets. The rate was 6.00% as of December 31, 2017. There was no borrowings during the years ended December 31, 2017 and 2016. There is no outstanding balance as of December 31, 2017 and 2016.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are composed of the following:

	2017	2016
Fellowship	\$ 160,000	\$ 204,000
Patient/Family Member Services	52,500	77,300
Ambassador	60,000	85,200
Regional Events	50,000	45,000
Conference	79,185	129,097
Accreditation	34,470	66,000
Advocacy Day	5,000	5,000
Marketing	70,000	100,000
Community Outreach	85,000	-
20th Anniversary Event	50,000	-
Total	\$ 646,155	\$ 711,597

All temporarily restricted net assets are expected to be released in 2018.

NOTE 7 CONGENITAL HEART WALKS

During the years ended December 31, 2017 and 2016, ACHA distributed 50% or \$684,920 and \$634,291, respectively, of the net revenue generated from the Congenital Heart Walks Program to the Children's Heart Foundation (CHF). All revenue and expense related to the Congenital Heart Walks Program is reported on ACHA's financial statements. This arrangement will be in force until 180 days after either organization provides a dissolution notice of the existing Congenital Heart Walk Program to the other organization.

Total revenue for the Walk Program was \$1,975,700 and \$1,848,591 for the years ended December 31, 2017 and 2016, respectively. Total expenses for the Walks Program was \$605,860 and \$580,009 for the years ended December 31, 2017 and 2016, respectively.

**ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 CONCENTRATION OF REVENUE SOURCES

For the years ended December 31, 2017 and 2016, revenue from one source was in excess of 10% of ACHA's revenue. Revenue from this source totaled approximately \$500,000 and \$500,000 or 18% and 21% of total revenue for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 COMMITMENTS

Effective January 1, 2015, ACHA 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 \$38,192 and \$37,080 for the years ended December 31, 2017 and 2016, 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>
2018	\$ 39,338	\$ 1,036
2019	40,518	1,036
Total	<u>\$ 79,856</u>	<u>\$ 2,072</u>



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.