

ADULT CONGENITAL HEART ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAAconnect.com

**ADULT CONGENITAL HEART ASSOCIATION
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Adult Congenital Heart Association
Media, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Adult Congenital Heart Association (a nonprofit corporation) (ACHA), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of Adult Congenital Heart Association (ACHA) as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ACHA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 ACHA adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACHA's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

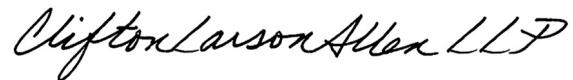
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ACHA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Adult Congenital Heart Association

Report on Summarized Comparative Information

We have previously audited ACHA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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

King of Prussia, Pennsylvania
April 20, 2023

ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 906,632	\$ 1,108,879
Grants and Contributions Receivable	230,396	153,348
Prepaid Expenses	18,499	69,467
Total Current Assets	1,155,527	1,331,694
NONCURRENT ASSETS		
Investments	307,865	364,860
Long-Term Grants and Contributions Receivable	-	62,500
Fixed Assets, Net	14,574	14,753
Right-of-Use Asset	22,709	-
Deposits	2,982	1,715
Total Noncurrent Assets	348,130	443,828
Total Assets	\$ 1,503,657	\$ 1,775,522
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,544	\$ 16,426
Accrued Payroll	62,154	43,405
Lease Liability	18,263	-
Deferred Revenue	93,250	96,621
Total Current Liabilities	182,211	156,452
NONCURRENT LIABILITIES		
Lease Liability	5,085	-
Long-Term Deferred Revenue	122,800	105,550
Total Noncurrent Liabilities	127,885	105,550
Total Liabilities	\$ 310,096	\$ 262,002
NET ASSETS		
Without Donor Restrictions:		
Board Designated - Accreditation Program	215,550	188,950
Undesignated	682,333	780,045
Total Net Assets Without Donor Restrictions	897,883	968,995
With Donor Restrictions	295,678	544,525
Total Net Assets	1,193,561	1,513,520
Total Liabilities and Net Assets	\$ 1,503,657	\$ 1,775,522

See accompanying Notes to Financial Statements.

ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE				
Grants	\$ 121,598	\$ 424,972	\$ 546,570	613,785
Contributions	926,405	55,486	981,891	1,213,951
Contributed Nonfinancial Assets	158,186	-	158,186	134,360
Membership Dues	33,910	-	33,910	26,685
Program and Events	152,121	27,500	179,621	157,381
Investment Income (Loss)	(54,462)	-	(54,462)	43,213
Net Assets Released from Restriction	756,805	(756,805)	-	-
Total Revenue	<u>2,094,563</u>	<u>(248,847)</u>	<u>1,845,716</u>	<u>2,189,375</u>
EXPENSES				
Program	1,621,836	-	1,621,836	1,229,183
Administrative	277,578	-	277,578	252,481
Fundraising	266,261	-	266,261	300,956
Total Expenses	<u>2,165,675</u>	<u>-</u>	<u>2,165,675</u>	<u>1,782,620</u>
CHANGE IN NET ASSETS	(71,112)	(248,847)	(319,959)	406,755
Net Assets - Beginning of Year	<u>968,995</u>	<u>544,525</u>	<u>1,513,520</u>	<u>1,106,765</u>
NET ASSETS - END OF YEAR	<u>\$ 897,883</u>	<u>\$ 295,678</u>	<u>\$ 1,193,561</u>	<u>\$ 1,513,520</u>

See accompanying Notes to Financial Statements.

ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program			Supporting Activities		2022	2021
	Advocacy and Outreach	Education	Total	Administrative	Fundraising	Total	Total
Personnel	\$ 396,565	\$ 452,461	\$ 849,026	\$ 231,080	\$ 157,330	\$ 1,237,436	\$ 1,155,078
Advertising	33,413	38,122	71,535	13,255	19,470	104,260	43,760
Bank and Merchant Services	5,667	9,246	14,913	-	13,666	28,579	24,167
Events	7,378	187,307	194,685	-	1,254	195,939	-
Insurance	2,053	2,342	4,395	1,196	814	6,405	5,976
Lease Expense	12,722	14,908	27,630	4,594	7,736	39,960	18,721
Licenses and Subscriptions	2,313	2,640	4,953	1,348	918	7,219	7,533
Medical Providers - In-Kind	-	52,500	52,500	-	-	52,500	90,600
Office Supplies and Equipment	1,815	2,045	3,860	958	1,394	6,212	10,275
Postage	2,087	5,174	7,261	138	2,796	10,195	7,591
Printing and Program Materials	15,510	25,671	41,181	37	16,998	58,216	34,911
Professional Fees	135,684	55,234	190,918	19,620	22,569	233,107	177,262
Research	70,000	-	70,000	-	-	70,000	124,944
Software	25,122	31,379	56,501	2,175	15,499	74,175	70,103
Telephone and Internet	917	1,047	1,964	737	364	3,065	2,483
Travel	7,159	16,235	23,394	214	5,453	29,061	462
Depreciation	6,943	177	7,120	2,226	-	9,346	8,754
Total Expenses by Function	\$ 725,348	\$ 896,488	\$ 1,621,836	\$ 277,578	\$ 266,261	\$ 2,165,675	\$ 1,782,620

See accompanying Notes to Financial Statements.

ADULT CONGENITAL HEART ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (319,959)	\$ 406,755
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	9,346	8,754
Net Unrealized and Realized (Gain) Loss on Investments	62,653	(30,453)
Paycheck Protection Program Forgiveness	-	(495,815)
Amortization of Operating Lease Costs	15,974	-
(Increase) Decrease in:		
Grants and Contributions Receivable	(14,548)	221,542
Prepaid Expenses	50,968	(17,657)
Deposits	(1,267)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(7,882)	4,952
Accrued Payroll	18,749	(978)
Lease Liability	(15,335)	-
Deferred Revenue	13,879	7,865
Net Cash Provided (Used) by Operating Activities	(187,422)	104,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(296,795)	(366,379)
Reinvested Dividends, Net	(7,909)	(703)
Proceeds from Sales of Investments	299,046	360,345
Purchase of Fixed Assets	(9,167)	(9,535)
Net Cash Used by Investing Activities	(14,825)	(16,272)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	233,515
Net Cash Provided by Financing Activities	-	233,515
NET INCREASE (DECREASE) IN CASH	(202,247)	322,208
Cash - Beginning of Year	1,108,879	786,671
CASH - END OF YEAR	\$ 906,632	\$ 1,108,879

See accompanying Notes to Financial Statements.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Adult Congenital Heart Association (ACHA or the Organization) 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.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ACHA adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. ACHA has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of ACHA's ROU assets.

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements for those assets. The new standard is effective for annual reporting periods beginning after June 15, 2021. The standard did not have a material impact on the financial statements. See Note 1 Recognition of Contributions for updated disclosures.

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.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Net Assets Without Donor Restrictions – Are not subject to donor-imposed stipulations. The Board has designated certain net assets for accreditation program purposes.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations that will be met either by actions of ACHA or the passage of time. ACHA has grants and contributions that carry both types of donor restrictions.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those amounts.

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.

Investments

Investments are reported using fair value measurements as detailed in Note 4. Cash and money market funds included within the investment portfolio are considered noncurrent assets. ACHA incurred investment fees of \$-0- and \$1,653 during the years ended December 31, 2022 and 2021, respectively.

Allowance for Uncollectible Amounts

Each grant or contribution 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, 2022 and 2021, as all amounts were considered collectible.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Leasehold improvements are depreciated over the life of the lease.

Leases

ACHA leases office space and equipment. ACHA determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use (ROU) Assets, Other Current Liabilities, and Operating Lease Liabilities on the statement of financial position.

ROU assets represent ACHA's right to use an underlying asset for the lease term and lease liabilities represent ACHA's obligations to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that ACHA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. ACHA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as Lease Liabilities or ROU Assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, ACHA has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Deferred Revenue

Deferred revenue consists of accreditation fees and other program fees collected in advance of the period in which their performance obligations have been met.

Recognition of Accreditation Fees

Accreditation fees received from each site are recognized as earned revenue at a rate of 50% in the application year and 10% for each of the five years of the site's accreditation period, beginning with the first full year of accreditation. The basis of this revenue recognition is the proportion of expected costs of ACHA to establish a site's accreditation (50%) compared to ACHA's costs to maintain such accreditation (10% per annum). The rate of revenue recognition may be changed if a significant change occurs in annual costs to establish and/or maintain accreditations. If at any time an institution's accreditation status is terminated, any remaining deferred revenue will be recognized at the time of termination as ACHA's obligation to such institution is complete. Recognition of accreditation fees are recorded in Program and Events on the statement of activities.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as Net Assets Released from Restrictions. Amounts released from restriction totaled \$756,805 and \$558,971 for the years ended December 31, 2022 and 2021, respectively.

A contribution is considered conditional if a right of return or right of release exists, as well as a barrier, which limits the recipient's use of such contributions. 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 values. 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. ACHA received in-kind contributions for medical provider services related to the accreditation program and recorded offsetting expenses of \$52,500 and \$90,600 for the years ended December 31, 2022 and 2021, respectively. ACHA also received in-kind contributions for advertising and software services and recorded offsetting expenses of \$ 105,686 and \$43,760 for the years ended December 31, 2022 and 2021, respectively. The valuation for medical provider, advertising and software services is determined by industry standard for similar services.

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 include IT support, office and occupancy, licenses and fees, and human resource consulting fees, as well as salaries and benefits, all of which are allocated on the basis of estimated time across all functions and walk expenses are allocated on an estimated time basis between program and fundraising.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

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. The Organization qualifies for charitable contribution deductions and is classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, would be subject to federal and state corporate income taxes. ACHA had no net unrelated business income for the years ended December 31, 2022 and 2021.

Management evaluated ACHA's tax positions and concluded that ACHA had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the years ended December 31, 2022 and 2021.

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, 2021, from which the comparative totals were derived.

Reclassifications

Certain amounts reported in the 2021 financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the overall net assets of ACHA.

Subsequent Events

In preparing these financial statements, ACHA has evaluated events and transactions for potential recognition or disclosure through April 20, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

ACHA has a goal to maintain financial assets, which consist of cash, receivables, and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately \$150,000 per month. As more fully described in Note 6, ACHA also has an available line of credit in the amount of \$150,000, which ACHA could draw upon in the event of an unanticipated liquidity need. ACHA had the following financial assets available for general expenditure within one year of the statement of financial position date of December 31:

	2022	2021
Cash	\$ 906,632	\$ 1,108,879
Grants and Contributions Receivables	230,396	215,848
Less: Net Assets With Donor Restrictions	(295,678)	(544,525)
Total	\$ 841,350	\$ 780,202

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE

	2022	2021
Receivable in Less than One Year:		
Programs and Events	\$ 5,000	\$ 8,719
Contributions	92,211	108,159
Grants	133,185	36,470
Receivable in One to Five Years:		
Contributions	-	62,500
Total	\$ 230,396	\$ 215,848

During the years ended December 31, 2022 and 2021, ACHA received contributions from board members totaling \$159,193 and \$237,310, respectively. As of December 31, 2022 and 2021, amounts included in grants and contributions receivable from board members totaled \$75,000 and \$125,000, respectively.

NOTE 4 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.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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 3 investments.

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, 2022</u>			
Cash and Money Market Funds	\$ 2,387	\$ 2,387	\$ -
Mutual Funds	312,310	305,478	305,478
Total	\$ 314,697	\$ 307,865	\$ 305,478
 <u>December 31, 2021</u>			
Cash and Money Market Funds	\$ 12,105	\$ 12,105	\$ -
Mutual Funds	348,944	352,755	352,755
Total	\$ 361,049	\$ 364,860	\$ 352,755

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

	2022	2021
Interest and Dividends	\$ 8,191	\$ 12,760
Net Realized and Unrealized Gain (Loss)	(62,653)	30,453
Total	\$ (54,462)	\$ 43,213

NOTE 5 FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2022	2021
Leasehold Improvements	\$ 4,323	\$ 4,323
Equipment	9,538	81,042
Website	32,798	32,798
Total	46,659	118,163
Less: Accumulated Depreciation	(32,085)	(103,410)
Total Fixed Assets	\$ 14,574	\$ 14,753

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 6 LINE OF CREDIT

ACHA has a line of credit, dated June 30, 2010, with Univest Bank and Trust Company in the amount of \$150,000, which is due on demand and renewable annually. Outstanding balances carry an interest rate of prime + 1.5%, with a floor of 5.25%, and are secured by ACHA's business assets. The rate was 9% and 5.25% as of December 31, 2022 and 2021, respectively. There were no borrowings during the years ended December 31, 2022 and 2021, and no outstanding balances as of December 31, 2022 and 2021.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Advocacy and Outreach:		
Regional Development	\$ 75,000	\$ 125,000
Marketing	30,000	-
National Conference	19,634	240,050
Research	<u>65,000</u>	<u>36,975</u>
Total	189,634	402,025
Education Program:		
Accreditation	-	4,950
Patient/Family Member Services	96,044	100,050
Regional Events	<u>10,000</u>	<u>37,500</u>
Total	<u>106,044</u>	<u>142,500</u>
 Total Restrictions	 <u><u>\$ 295,678</u></u>	 <u><u>\$ 544,525</u></u>

All net assets with donor restrictions are expected to be released in 2023 except for long-term grants and contributions receivable.

Net assets were released from donor restrictions by incurring expense, satisfying the restricted purpose, or by occurrence of the passage of time.

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions:		
Advocacy and Outreach	\$ 365,049	\$ 241,471
Education Program	<u>391,756</u>	<u>317,500</u>
Total	<u><u>\$ 756,805</u></u>	<u><u>\$ 558,971</u></u>

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 8 REVENUE FROM CONTRACTS

Revenue from contracts is recognized when control of promised accreditation services is transferred to accreditation applicants, in an amount that reflects the consideration ACHA expects to be entitled in exchanges for those services. Total revenue for the accreditation program included in Programs and Events was \$123,400 and \$98,050 for the years ended December 31, 2022 and 2021, respectively.

ACHA's performance obligations are to provide accreditation through a rigorous evaluation process during the application phase and follow-up processes in the five years after the accredited status determination is made. Accreditation applicants pay accreditation fees upfront and the Organization recognizes them over this six-year period. ACHA's revenue recognition policy for accreditation fees is described in detail in Note 1.

The following table depicts activities for deferred revenue.

	<u>2022</u>	<u>2021</u>
Deferred Revenue - Beginning of Year	\$ 202,171	\$ 194,306
Increases in Deferred Accreditation Fees Due to Cash Received During the Year	150,000	101,500
Increases (Decreases) in Deferred Registrations Fee Due to Cash Received (Expended) During the Year	(12,721)	4,415
Decreases in Deferred Revenue Due to Performance Obligations Met	<u>(123,400)</u>	<u>(98,050)</u>
Deferred Revenue - End of Year	<u>\$ 216,050</u>	<u>\$ 202,171</u>

NOTE 9 WALKS FOR 1 IN 100

Total revenue for the Walks for 1 in 100 for the years ended December 31, 2022 and 2021, was \$457,012 and \$279,623, respectively. Related revenue is included in Contributions on the statement of activities. Total expenses were \$273,640 and \$200,758 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 CONCENTRATION OF REVENUE SOURCES

During the years ended December 31, 2022 and 2021, ACHA received funding of \$300,000 and \$495,815, respectively, from a different single source each year and included in Grants on the statement of activities.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 11 LEASES

Operating Leases

ACHA leases office and equipment leases for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain office leases provide for increases in future minimum annual rental payments.

The following tables provide quantitative information concerning ACHA's leases for the year ended December 31, 2022:

Operating Lease Cost	\$ 15,336
Short-term Lease Cost	\$ 24,624
Total Lease Cost	<u>\$ 39,960</u>

Other Information:

Cash Paid Operating Cash Flows from Operating Leases	\$ 18,131
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 38,683
Weighted-Average Remaining Lease Term - Operating Leases	1.7 Years
Weighted-Average Discount Rate - Operating Leases	9%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 17,900	\$ 2,731	\$ 20,631
2024	1,500	2,731	4,231
2025	-	2,731	2,731
2026	-	725	725
Total	<u>\$ 19,400</u>	<u>\$ 8,918</u>	<u>\$ 28,318</u>

NOTE 12 RETIREMENT PLAN

ACHA sponsors a 403(b) defined-contribution plan (the Plan). The Plan includes an employer match for all employees who have completed at least one year of service and worked at least 1,000 hours in a plan year, not to exceed 3% of an employee's annual compensation. Total retirement expense of the Plan was \$14,795 and \$16,545 for the years ended December 31, 2022 and 2021, respectively, and is included in Personnel Expense in the accompanying statement of functional expenses.

ADULT CONGENITAL HEART ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 13 PAYCHECK PROTECTION PROGRAM

In April 2020, ACHA applied for and was approved for a \$262,300 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan was received on May 1, 2020. Under the original terms, the loan was to accrue interest at 1%, with payments not required to begin for six months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. ACHA was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government. ACHA received forgiveness of \$262,300 on February 24, 2021.

Under the second round of PPP funding, ACHA applied for and was approved for an additional \$233,515 loan. The loan was received on February 8, 2021. To the extent that any loan amount was not forgiven, this loan was to accrue interest at 1%, with the first 10 months of interest deferred, had a term of five years and was unsecured and guaranteed by the SBA. ACHA was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. ACHA received forgiveness of \$233,515 on July 23, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the ACHA's financial position.