

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

**THE PULMONARY HYPERTENSION
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Pulmonary Hypertension Association, Inc.

We have audited the accompanying financial statements of The Pulmonary Hypertension Association, Inc. (the Association) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and of functional expenses and of cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 The Pulmonary Hypertension Association, Inc. as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
August 22, 2014

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,369,857	\$ 3,642,752
Contributions receivable	424,954	2,422,465
Prepaid expenses	148,280	11,091
Total current assets	4,943,091	6,076,308
RESTRICTED CASH	117,368	599,889
INVESTMENTS - at fair value	5,498,162	4,796,300
ENDOWED INVESTMENTS AND ACCUMULATED EARNINGS - at fair value	3,823,711	2,786,102
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION	14,206	23,587
OTHER ASSETS	63,217	84,215
Total assets	\$ 14,459,755	\$ 14,366,401
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 325,465	\$ 489,756
Accrued expenses	57,666	39,179
Grants payable - current portion	306,250	349,124
Total current liabilities	689,381	878,059
GRANTS PAYABLE - NON CURRENT PORTION	500,000	521,374
DEFERRED RENT	143,869	114,015
Total liabilities	1,333,250	1,513,448
NET ASSETS		
Unrestricted		
Available for operations	5,039,758	5,482,771
Designated for contingencies	245,048	244,590
Designated for equipment and leasehold improvements	14,206	23,587
Total unrestricted	5,299,012	5,750,948
Temporarily restricted	5,952,018	5,226,530
Permanently restricted	1,875,475	1,875,475
Total net assets	13,126,505	12,852,953
Total liabilities and net assets	\$ 14,459,755	\$ 14,366,401

See accompanying notes to financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions	\$ 3,274,356	\$ 1,786,197	\$ -	\$ 5,060,553	\$ 4,780,529	\$ 1,461,276	\$ -	\$ 6,241,805
Contributions - research	-	849,567	-	849,567	-	1,183,303	-	1,183,303
In-kind donations	47,847	19,812	-	67,659	48,033	54,824	-	102,857
Conference	1,069,316	-	-	1,069,316	35,521	551,500	-	587,021
Grants	174,663	-	-	174,663	251,500	-	-	251,500
Membership dues	238,625	-	-	238,625	252,498	-	-	252,498
Merchandise sales	62,733	-	-	62,733	49,191	-	-	49,191
Investment income	389,299	569,594	-	958,893	166,437	66,334	-	232,771
Releases from restrictions	2,499,682	(2,499,682)	-	-	501,903	(501,903)	-	-
Total revenue and support	<u>7,756,521</u>	<u>725,488</u>	<u>-</u>	<u>8,482,009</u>	<u>6,085,612</u>	<u>2,815,334</u>	<u>-</u>	<u>8,900,946</u>
EXPENSES								
Program services	6,970,690	-	-	6,970,690	6,740,255	-	-	6,740,255
Management and general	795,010	-	-	795,010	659,666	-	-	659,666
Fund raising	442,757	-	-	442,757	394,858	-	-	394,858
Total expenses	<u>8,208,457</u>	<u>-</u>	<u>-</u>	<u>8,208,457</u>	<u>7,794,779</u>	<u>-</u>	<u>-</u>	<u>7,794,779</u>
CHANGE IN NET ASSETS								
NET ASSETS								
Beginning of year	5,750,948	5,226,530	1,875,475	12,852,953	7,460,115	2,411,196	1,875,475	11,746,786
End of year	<u>\$ 5,299,012</u>	<u>\$ 5,952,018</u>	<u>\$ 1,875,475</u>	<u>\$ 13,126,505</u>	<u>\$ 5,750,948</u>	<u>\$ 5,226,530</u>	<u>\$ 1,875,475</u>	<u>\$ 12,852,953</u>

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,577,175	\$ 266,437	\$ 259,288	\$ 2,102,900
Employee related expenses	321,563	65,696	54,323	441,582
Advertising and marketing	53,134	-	-	53,134
Bank and credit card fees	-	99,809	-	99,809
Conference meals, lodging and travel	1,003,646	-	-	1,003,646
Copying and printing	406,119	1,735	34,046	441,900
Depreciation	-	18,941	-	18,941
Dues	9,666	2,818	1,633	14,117
Equipment	7,796	1,281	1,317	10,394
Insurance	-	5,248	-	5,248
Lobbying	45,814	-	-	45,814
Miscellaneous	119,901	508	-	120,409
Office rent	232,733	38,261	39,316	310,310
Postage	97,278	15,803	16,240	129,321
Professional fees	1,812,790	235,744	-	2,048,534
Repairs and maintenance	2,605	429	440	3,474
Research grants and expenses	619,700	-	-	619,700
Special events	394,081	-	-	394,081
Supplies	36,736	6,039	6,206	48,981
Telephone	15,053	2,475	2,542	20,070
Training	7,117	7,116	-	14,233
Travel	130,312	21,423	22,014	173,749
Web site fees	<u>77,471</u>	<u>5,247</u>	<u>5,392</u>	<u>88,110</u>
Totals	<u>\$ 6,970,690</u>	<u>\$ 795,010</u>	<u>\$ 442,757</u>	<u>\$ 8,208,457</u>

See accompanying notes to financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 1,482,538	\$ 240,881	\$ 247,780	\$ 1,971,199
Employee related expenses	310,640	56,593	51,918	419,151
Advertising and marketing	57,465	-	-	57,465
Bank and credit card fees	-	98,018	-	98,018
Conference meals, lodging and travel	323,752	13,414	-	337,166
Copying and printing	504,247	908	933	506,088
Depreciation	-	23,284	-	23,284
Dues	17,611	4,849	2,943	25,403
Equipment	10,188	1,655	1,703	13,546
Insurance	-	6,574	-	6,574
Lobbying	40,692	-	-	40,692
Miscellaneous	50,594	-	-	50,594
Office rent	237,317	38,559	39,663	315,539
Postage	88,922	14,448	14,862	118,232
Professional fees	2,435,613	123,068	-	2,558,681
Repairs and maintenance	2,751	447	460	3,658
Research grants and expenses	464,449	-	-	464,449
Special events	464,638	-	-	464,638
Supplies	24,708	4,014	4,129	32,851
Telephone	22,471	3,651	3,756	29,878
Training	3,335	3,335	-	6,670
Travel	135,031	21,940	22,568	179,539
Web site fees	63,293	4,028	4,143	71,464
Totals	<u>\$ 6,740,255</u>	<u>\$ 659,666</u>	<u>\$ 394,858</u>	<u>\$ 7,794,779</u>

See accompanying notes to financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 273,552	\$ 1,106,167
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	18,941	23,284
Realized and unrealized (gain) loss on investments	(602,164)	59,732
Decrease (increase) in operating assets		
Contributions and other receivables	1,997,511	(2,172,089)
Prepaid expenses	(137,189)	19,090
Restricted cash	482,521	(502,662)
Other assets	20,998	33,443
Increase (decrease) in operating liabilities		
Accounts payable	(164,291)	413,666
Accrued expenses	18,487	1,024
Deferred rent	29,854	64,826
Grant payable	<u>(64,248)</u>	<u>(146,502)</u>
Net cash provided by (used for) operating activities	<u>1,873,972</u>	<u>(1,100,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(9,560)	(6,822)
Proceeds from sale of investments	2,952,310	2,468,854
Purchase of investments	<u>(4,089,617)</u>	<u>(4,421,747)</u>
Net cash used for investing activities	<u>(1,146,867)</u>	<u>(1,959,715)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	727,105	(3,059,736)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,642,752</u>	<u>6,702,488</u>
End of year	<u>\$ 4,369,857</u>	<u>\$ 3,642,752</u>

See accompanying notes to financial statements.

**THE PULMONARY HYPERTENSION
ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

The Pulmonary Hypertension Association, Inc. (the Association), a Florida nonprofit organization, provides fellowship and educational support to pulmonary hypertension patients, their families, physicians, researchers and the public at large.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The Association is required under U.S. generally accepted accounting principles 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.

Basis of Accounting - The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all receivables, payables, and other assets and liabilities.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recognition of Donor Restrictions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Income of restricted funds is recognized under guidance provided by the Accounting Standards Codification (ASC), as disclosed in Note 6.

Cash and Cash Equivalents - The Association considers all cash balances and highly liquid investments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash - The Association considers cash balances held in investment portfolio accounts under permanently restricted endowments as restricted cash.

Contributions and Grants Receivable - All promises receivable are due within one year, and all amounts are considered fully collectible. Consequently, no provision for uncollectible promises has been made.

Membership Income - Membership income is recognized as income in the period received.

Investments - Investments with readily determinable fair values are stated at their fair values in the statements of financial position. Other investments are carried at estimated fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income earned on temporarily and permanently restricted contributions is used for unrestricted programs of the Association, as indicated by the donors and approved by the Association Board.

The Association reports under a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

All of the Association's investments are measured at fair value using Level 1 inputs.

Equipment and Leasehold Improvements - Equipment and leasehold improvements are stated at cost except for donated equipment which is recorded at fair market value at the date of gift. Depreciation is provided over the estimated useful lives of the assets on a straight line basis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods, Services and Facilities - Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 3. INCOME TAX STATUS

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to income taxes except for income from its unrelated business activities. There is no provision for income taxes as the Association had no unrelated business income for the year ended December 31, 2012. In accordance with U.S. generally accepted accounting principles, the Association has evaluated their tax position for the year ended December 31, 2012 and has determined that they qualify as a tax-exempt organization. As of December 31, 2012, the statute of limitations for tax years 2009 through 2011 remains open with Internal Revenue Service.

NOTE 4. INVESTMENTS

Investments and endowed investments at December 31 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Corporate and government bonds	\$6,058,359	\$4,838,842
Common stock	2,848,919	2,356,597
Mutual funds		
Diversified emerging markets	7,850	2,320
Emerging markets bond	11,911	10,646
Equity energy	-	9,125
Europe stock	-	9,654
Foreign large blend	60,954	51,130
Foreign large value	23,333	21,398

NOTE 4. INVESTMENTS (CONTINUED)

	<u>2012</u>	<u>2011</u>
High yield bond	\$ 11,388	\$ 8,293
Health	13,241	-
Industrials	7,012	-
Intermediate term bond	116,398	69,279
Japan stock	-	9,529
Large blend	63,320	57,993
Large growth	17,067	24,362
Large value	17,221	20,355
Mid-cap value	-	20,921
Natural resources	11,396	10,184
Short-term bond	-	13,011
Small blend	11,805	5,162
Small growth	9,485	9,091
Small value	9,259	13,140
Technology	9,289	8,194
World bond	<u>13,666</u>	<u>13,176</u>
	<u>\$9,321,873</u>	<u>\$7,582,402</u>

Investment income is reported in the statement of activities as follows:

	<u>2012</u>	<u>2011</u>
Realized gain on investments	\$ 254,100	\$ 223,600
Interest and dividend income	356,729	292,503
Unrealized gain (loss) on investments	<u>348,064</u>	<u>(283,332)</u>
	<u>\$ 958,893</u>	<u>\$ 232,771</u>

NOTE 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2012</u>	<u>2011</u>
Equipment	\$180,122	\$170,562
Leasehold improvements	<u>23,539</u>	<u>23,539</u>
	203,661	194,101
Less accumulated depreciation	<u>(189,455)</u>	<u>(170,514)</u>
	<u>\$ 14,206</u>	<u>\$ 23,587</u>

NOTE 6. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The Association's investment funds consist of various individual funds established for a variety of purposes. The Association's funds include both donor-restricted amounts as well as amounts for operating purposes. As required under generally accepted accounting principles, net assets associated with the investment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of a donor-restricted fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) unrealized appreciation or depreciation in the value of the permanently restricted investments however the value of the investments shall not fall below the value of the original contribution. The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulated donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Permanent Restrictions

The Association has received several contributions which must be invested in perpetuity, but for which the related earnings thereon are available to fund annual expenses.

In March of 2006, the Association entered into an agreement to establish the Barbara L. Smith Endowment Fund to provide scholarships for patients and caregivers to attend the Association's conferences and meetings. In February 2007, the Association entered into an agreement to establish the Oracle Endowment Fund to provide one Mentored Clinical Scientist Development Award. In March 2007, the Association entered into an agreement to establish the United Therapeutics Endowment Fund to provide financial support for the PHA Support Group Leadership Institute.

NOTE 6. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Temporary Restrictions

The Association has also received numerous gifts whose use is restricted to the funding of scholarships and research. In most cases, earnings on the related investments are similarly restricted.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that UPMIFA requires the Association to retain as a fund of perpetual duration. As of the years ended December 31, 2012 and 2011, the funds had a surplus of \$348,000 and \$18,000, respectively, that resulted from investment income.

Investment Income Allocation

Earnings on long-term investments in marketable securities, including all interest, dividends, realized and unrealized gains and losses are allocated among the Association's restricted funds on a pro-rata basis.

As of December 31, 2012, balances in the Association's funds, by net asset class, are as follows:

<u>Fund</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Research Fund	\$ -	\$ 3,254,007	\$ 3,254,007
J. Hendry Scholarship Fund	-	12,066	12,066
Dukart Fund	-	27,682	27,682
Scholarships	-	302,915	302,915
Mason Hoffman Fund	-	49,410	49,410
B. Smith Endowment	64,632	20,606	85,238
Oracle Endowment	874,611	279,910	1,154,521
United Therapeutics Endowment	936,232	289,422	1,225,654
Time restricted	-	1,716,000	1,716,000
	<u>\$ 1,875,475</u>	<u>\$ 5,952,018</u>	<u>\$ 7,827,493</u>

NOTE 6. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

As of December 31, 2011, balances in the Association's restricted funds, by net asset class, are as follows:

Fund	Permanently Restricted	Temporarily Restricted	Total
Research Fund	\$ -	\$ 2,969,875	\$ 2,969,875
J. Hendry Scholarship Fund	-	12,066	12,066
Dukart Fund	-	27,682	27,682
Scholarships	-	232,718	232,718
Mason Hoffman Fund	-	49,410	49,410
B. Smith Endowment	64,632	8,888	73,520
Oracle Endowment	874,611	-	874,611
United Therapeutics Endowment	936,232	11,456	947,688
Time restricted	-	1,914,435	1,914,435
	<u>\$ 1,875,475</u>	<u>\$ 5,226,530</u>	<u>\$ 7,102,005</u>

Changes in endowments net assets for the years ended December 31, 2012 and 2011

	B. Smith Endowment	Oracle Endowment	United Therapeutics Endowment	Total
Balance, December 31, 2010	\$ 64,632	\$ 874,611	\$ 936,232	\$ 1,875,475
2011 Investment income	3,843	-	-	3,843
Transfer to temporarily restricted net assets	(3,843)	-	-	(3,843)
Balance, December 31, 2011	64,632	874,611	936,232	1,875,475
2012 Investment income	8,229	149,709	-	157,938
Transfer to temporarily restricted net assets	(8,229)	(149,709)	-	(157,938)
Balance, December 31, 2012	<u>\$ 64,632</u>	<u>\$ 874,611</u>	<u>\$ 936,232</u>	<u>\$ 1,875,475</u>

NOTE 7. OPERATING LEASE

As of May 1, 2010, the Association entered into a 10 year operating lease for office space. Future minimum payments under the operating lease are as follows:

Year Ending December 31,	
2013	\$ 289,322
2014	297,986
2015	306,947
2016	316,187
2017	325,658
Thereafter	<u>826,606</u>
	<u>\$2,362,706</u>

Rent expense for the years ended December 31, 2012 and 2011 was \$310,310 and \$315,539, respectively.

NOTE 8. GRANTS PAYABLE

The Association has made the following unconditional promises to give for research grants as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Payable in less than one year	\$ 306,250	\$ 394,124
Payable in one to five years	<u>500,000</u>	<u>521,374</u>
	<u>\$ 806,250</u>	<u>\$ 870,498</u>

NOTE 9. CONCENTRATION OF CASH

The Association maintains its cash at a financial institution which at times may exceed the federally insured limits per the Federal Deposit Insurance Corporation (FDIC). Total cash balances are insured by the FDIC up to \$250,000 per bank for interest-bearing accounts. Noninterest-bearing accounts have unlimited coverage through December 31, 2012. The Association had cash balances on deposit with several banks at December 31, 2012 that exceeded the balances insured by the FDIC by approximately \$990,000. The Association has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

NOTE 10. SUBSEQUENT EVENTS

The Association's management has evaluated events subsequent through August 22, 2014, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.