

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**THE PULMONARY HYPERTENSION
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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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, 2013 and 2012, and the related statements of activities, functional expenses and 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 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 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, 2013 and 2012 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
November 17, 2014

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,585,354	\$ 4,369,857
Contributions receivable	1,517,000	424,954
Prepaid expenses	92,109	148,280
Total current assets	6,194,463	4,943,091
RESTRICTED CASH	140,615	117,368
INVESTMENTS - at fair value	5,710,022	5,498,162
ENDOWED INVESTMENTS AND ACCUMULATED EARNINGS - at fair value	4,539,216	3,823,711
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION	10,316	14,206
OTHER ASSETS	57,603	63,217
Total assets	\$ 16,652,235	\$ 14,459,755
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 96,928	\$ 325,465
Accrued expenses	57,666	57,666
Grants payable - current portion	341,250	306,250
Total current liabilities	495,844	689,381
GRANTS PAYABLE - NON CURRENT PORTION	473,220	500,000
DEFERRED RENT	153,717	143,869
Total liabilities	1,122,781	1,333,250
NET ASSETS		
Unrestricted		
Available for operations	5,224,110	5,039,758
Designated for contingencies	250,000	245,048
Designated for equipment and leasehold improvements	10,316	14,206
Total unrestricted	5,484,426	5,299,012
Temporarily restricted	8,169,553	5,952,018
Permanently restricted	1,875,475	1,875,475
Total net assets	15,529,454	13,126,505
Total liabilities and net assets	\$ 16,652,235	\$ 14,459,755

See accompanying notes to financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions	\$ 4,763,038	\$ 3,145,874	\$ -	\$ 7,908,912	\$ 3,274,356	\$ 1,786,197	\$ -	\$ 5,060,553
Contributions - research	-	845,222	-	845,222	-	849,567	-	849,567
In-kind donations	14,762	68,075	-	82,837	47,847	19,812	-	67,659
Conference	66,625	-	-	66,625	1,069,316	-	-	1,069,316
Grants	84,692	-	-	84,692	174,663	-	-	174,663
Membership dues	257,184	-	-	257,184	238,625	-	-	238,625
Merchandise sales	52,477	-	-	52,477	62,733	-	-	62,733
Investment income	579,919	510,896	-	1,090,815	389,299	569,594	-	958,893
Releases from restrictions	2,352,532	(2,352,532)	-	-	2,499,682	(2,499,682)	-	-
Total revenue and support	<u>8,171,305</u>	<u>2,217,535</u>	<u>-</u>	<u>10,388,840</u>	<u>7,756,521</u>	<u>725,488</u>	<u>-</u>	<u>8,482,009</u>
EXPENSES								
Program services	6,768,488	-	-	6,768,488	6,970,690	-	-	6,970,690
Management and general	739,597	-	-	739,597	795,010	-	-	795,010
Fund raising	477,806	-	-	477,806	442,757	-	-	442,757
Total expenses	<u>7,985,891</u>	<u>-</u>	<u>-</u>	<u>7,985,891</u>	<u>8,208,457</u>	<u>-</u>	<u>-</u>	<u>8,208,457</u>
CHANGE IN NET ASSETS	185,414	2,217,535	-	2,402,949	(451,936)	725,488	-	273,552
NET ASSETS								
Beginning 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>
End of year	<u>\$ 5,484,426</u>	<u>\$ 8,169,553</u>	<u>\$ 1,875,475</u>	<u>\$ 15,529,454</u>	<u>\$ 5,299,012</u>	<u>\$ 5,952,018</u>	<u>\$ 1,875,475</u>	<u>\$ 13,126,505</u>

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 2,021,410	\$ 294,426	\$ 319,706	\$ 2,635,542
Employee related expenses	390,712	61,974	61,795	514,481
Advertising and marketing	33,921	-	-	33,921
Bank and credit card fees	-	148,158	-	148,158
Conference meals, lodging and travel	324,872	23,770	-	348,642
Copying and printing	407,109	1,139	1,237	409,485
Depreciation	-	13,109	-	13,109
Dues	4,469	6,898	707	12,074
Equipment	4,303	626	681	5,610
Insurance	-	11,482	-	11,482
Lobbying	45,814	-	-	45,814
Miscellaneous	124,765	-	-	124,765
Office rent	281,400	40,986	44,506	366,892
Postage	81,253	11,605	12,601	105,459
Professional fees	1,440,453	86,026	636	1,527,115
Repairs and maintenance	2,828	412	447	3,687
Research grants and expenses	639,653	-	-	639,653
Special events	683,809	-	-	683,809
Supplies	25,697	3,743	4,064	33,504
Telephone	19,883	2,896	3,145	25,924
Training	6,301	6,301	-	12,602
Travel	146,782	20,893	22,687	190,362
Web site fees	83,054	5,153	5,594	93,801
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 6,768,488</u>	<u>\$ 739,597</u>	<u>\$ 477,806</u>	<u>\$ 7,985,891</u>

See accompanying notes to financial statements.

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	77,471	5,247	5,392	88,110
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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,402,949	\$ 273,552
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	13,109	18,941
Realized and unrealized gain on investments	(770,037)	(602,164)
Decrease (increase) in operating assets		
Contributions and other receivables	(1,092,046)	1,997,511
Prepaid expenses	56,171	(137,189)
Restricted cash	(23,247)	482,521
Other assets	5,614	20,998
Increase (decrease) in operating liabilities		
Accounts payable	(228,537)	(164,291)
Accrued expenses	-	18,487
Deferred rent	9,848	29,854
Grant payable	8,220	(64,248)
Net cash provided by operating activities	382,044	1,873,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(9,219)	(9,560)
Proceeds from sale of investments	2,961,601	2,952,310
Purchase of investments	(3,118,929)	(4,089,617)
Net cash used for investing activities	(166,547)	(1,146,867)
NET INCREASE IN CASH AND CASH EQUIVALENTS	215,497	727,105
CASH AND CASH EQUIVALENTS		
Beginning of year	4,369,857	3,642,752
End of year	\$ 4,585,354	\$ 4,369,857

See accompanying notes to financial statements.

**THE PULMONARY HYPERTENSION
ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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's 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.

Income Taxes - The Association accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic Income Taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of uncertain tax positions for the year ended December 31, 2013, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status.

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, 2013. In accordance with U.S. generally accepted accounting principles, the Association has evaluated their tax position for the year ended December 31, 2013 and has determined that they qualify as a tax-exempt organization. As of December 31, 2013, the statute of limitations for tax years 2010 through 2012 remains open with Internal Revenue Service.

NOTE 4. INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Corporate and government bonds	\$ 5,879,215	\$ 6,058,359
Common stock	3,890,923	2,848,919
Mutual funds	<u>479,100</u>	<u>414,595</u>
Total	<u>\$ 10,249,238</u>	<u>\$ 9,321,873</u>

NOTE 4. INVESTMENTS (CONTINUED)

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

	<u>2013</u>	<u>2012</u>
Realized gain on investments	\$ 367,732	\$ 254,100
Interest and dividend income	320,778	356,729
Unrealized gain on investments	<u>402,305</u>	<u>348,064</u>
	<u>\$ 1,090,815</u>	<u>\$ 958,893</u>

NOTE 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2013</u>	<u>2012</u>
Equipment	\$189,341	\$180,122
Leasehold improvements	<u>23,539</u>	<u>23,539</u>
	212,880	203,661
Less accumulated depreciation	<u>(202,564)</u>	<u>(189,455)</u>
	<u>\$ 10,316</u>	<u>\$ 14,206</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

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

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.

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, 2013 and 2012, the funds had a surplus of approximately \$515,000 and \$348,000, 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.

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

As of December 31, 2013, balances in the Association's restricted funds, by net asset class, are as follows:

<u>Fund</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Research Fund	\$ -	\$ 3,515,669	\$ 3,515,669
J. Hendry Scholarship Fund	-	12,066	12,066
Dukart Fund	-	27,682	27,682
Scholarships	-	168,893	168,893
Mason Hoffman Fund	-	49,410	49,410
B. Smith Endowment	64,632	29,946	94,578
Oracle Endowment	874,611	524,807	1,399,418
United Therapeutics Endowment	936,232	546,080	1,482,312
Time restricted	-	3,295,000	3,295,000
	<u>\$ 1,875,475</u>	<u>\$ 8,169,553</u>	<u>\$ 10,045,028</u>

As of December 31, 2012, balances in the Association's restricted 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)

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

	<u>B. Smith Endowment</u>	<u>Oracle Endowment</u>	<u>United Therapeutics Endowment</u>	<u>Total</u>
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	<u>(8,229)</u>	<u>(149,709)</u>	<u>-</u>	<u>(157,938)</u>
Balance, December 31, 2012	64,632	874,611	936,232	1,875,475
2013 Investment income	9,340	244,897	-	254,237
Transfer to temporarily restricted net assets	<u>(9,340)</u>	<u>(244,897)</u>	<u>-</u>	<u>(254,237)</u>
Balance, December 31, 2013	<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,	
2014	\$ 297,986
2015	306,947
2016	316,187
2017	325,658
2018	335,426
Thereafter	<u>491,180</u>
	<u>\$2,073,384</u>

Rent expense for the years ended December 31, 2013 and 2012 was \$366,892 and \$310,310, respectively.

NOTE 8. GRANTS PAYABLE

The Association has made the following unconditional promises to give for research grants as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Payable in less than one year	\$ 341,250	\$ 306,250
Payable in one to five years	<u>473,220</u>	<u>500,000</u>
	<u>\$ 814,470</u>	<u>\$ 806,250</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). The Association had cash balances on deposit with several banks at December 31, 2013 and 2012 that exceeded the balances insured by the FDIC by approximately \$790,000 and \$990,000, respectively. 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. SPECIAL EVENTS

Revenue from special events is included in contributions on the statement of activities. Expenses from special events are specified on the statements of functional expenses. Special event activity is as follows:

	<u>2013</u>	<u>2012</u>
Revenue	\$1,316,275	\$ 788,055
Expenses	<u>546,093</u>	<u>249,475</u>
	<u>\$ 770,182</u>	<u>\$ 538,580</u>

NOTE 11. SUBSEQUENT EVENTS

The Association's management has evaluated events subsequent through November 17, 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.