

**NATIONAL STROKE ASSOCIATION**

FINANCIAL STATEMENTS

December 31, 2014 and 2013

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HEIDER, TANNER & DIRKS, INC.  
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD P. HEIDER, CPA  
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
National Stroke Association

We have audited the accompanying statements of financial position of National Stroke Association (a nonprofit corporation) as of December 31, 2014 and 2013, 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 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 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 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 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 National Stroke Association as of December 31, 2014 and 2013 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.

*Heider, Tanner & Dirks, Inc.*  
HEIDER, TANNER & DIRKS, INC.  
Denver, Colorado

April 23, 2015

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,794,974	\$ 1,447,074
Short-term investments	2,503	2,211
Trade receivables	171,052	283,599
Grants and pledges receivable	125,000	50,000
Prepaid expenses	45,183	19,080
Publications inventory	90,195	64,261
Total current assets	2,228,907	1,866,225
Furniture and equipment, net of accumulated depreciation of \$423,311 and \$386,959 in 2014 and 2013, respectively	59,639	94,214
Total assets	\$ 2,288,546	\$ 1,960,439
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 371,154	\$ 167,894
Current portion of long term debt	-	15,362
Total current liabilities	371,154	183,256
Net assets:		
Unrestricted	481,695	969,267
Temporarily restricted	1,435,697	807,916
Total net assets	1,917,392	1,777,183
Total liabilities and net assets	\$ 2,288,546	\$ 1,960,439

The accompanying notes are an integral part of these financial statements

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the years ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and other support:						
Grants and contracts	\$ 1,006,871	\$ 1,131,877	\$ 2,138,748	\$ 1,073,307	\$ 866,700	\$ 1,940,007
Contributions	738,070	-	738,070	1,264,428	-	1,264,428
Memberships	410,429	-	410,429	389,187	-	389,187
Publications and material aids	158,156	-	158,156	88,480	-	88,480
Other income including interest	34,469	-	34,469	41,645	-	41,645
Net assets released from restrictions	504,096	(504,096)	-	407,059	(407,059)	-
Total revenues and other support	<u>2,852,091</u>	<u>627,781</u>	<u>3,479,872</u>	<u>3,264,106</u>	<u>459,641</u>	<u>3,723,747</u>
Expenses:						
Professional education	779,905	-	779,905	894,533	-	894,533
Public education	1,731,382	-	1,731,382	1,627,074	-	1,627,074
Management and general	313,110	-	313,110	310,492	-	310,492
Fundraising	515,266	-	515,266	578,097	-	578,097
Total expenses	<u>3,339,663</u>	<u>-</u>	<u>3,339,663</u>	<u>3,410,196</u>	<u>-</u>	<u>3,410,196</u>
Change in net assets	(487,572)	627,781	140,209	(146,090)	459,641	313,551
Net assets, beginning of year	<u>969,267</u>	<u>807,916</u>	<u>1,777,183</u>	<u>1,115,357</u>	<u>348,275</u>	<u>1,463,632</u>
Net assets, end of year	<u>\$ 481,695</u>	<u>\$ 1,435,697</u>	<u>\$ 1,917,392</u>	<u>\$ 969,267</u>	<u>\$ 807,916</u>	<u>\$ 1,777,183</u>

The accompanying notes are an integral part of these financial statements

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2014

	Program services		Supporting services		Total 2014 expenses
	Professional education	Public education	Management and general	Fundraising	
Salaries	\$ 232,153	\$ 490,198	\$ 169,751	\$ 219,566	\$ 1,111,668
Payroll taxes	18,981	40,079	13,879	17,951	90,890
Employee health and retirement benefits	21,943	46,332	16,044	20,753	105,072
<b>Total salaries and related expenses</b>	<b>273,077</b>	<b>576,609</b>	<b>199,674</b>	<b>258,270</b>	<b>1,307,630</b>
Professional services	290,386	492,064	27,972	56,086	866,508
Supplies and postage	22,210	65,940	6,250	12,899	107,299
Telecommunications	29,106	11,934	4,580	5,350	50,970
Rent	22,273	45,482	15,621	20,791	104,167
Insurance	2,230	5,941	1,564	6,244	15,979
Conferences, conventions and meetings	22,021	7,596	2,054	9,875	41,546
Interest	3,946	8,058	2,780	3,675	18,459
Computer and website expenses	17,788	141,086	1,060	21,062	180,996
Rental equipment	4,219	8,614	2,959	3,938	19,730
Travel expense	6,213	19,442	5,676	17,582	48,913
Printing and publications	42,372	243,635	11,677	36,778	334,462
Marketing/public relations	20,939	59,111	3,923	41,034	125,007
Audit fees	1,660	1,660	12,450	830	16,600
Maintenance and repair	3,846	7,854	2,698	3,590	17,988
Utilities	2,948	6,020	2,067	2,752	13,787
Property taxes	4,668	9,533	3,274	4,358	21,833
Miscellaneous	2,230	4,931	1,380	2,896	11,437
	<b>499,055</b>	<b>1,138,901</b>	<b>107,985</b>	<b>249,740</b>	<b>1,995,681</b>
<b>Total expenses before depreciation</b>	<b>772,132</b>	<b>1,715,510</b>	<b>307,659</b>	<b>508,010</b>	<b>3,303,311</b>
Depreciation	7,773	15,872	5,451	7,256	36,352
<b>Total expenses</b>	<b>\$ 779,905</b>	<b>\$ 1,731,382</b>	<b>\$ 313,110</b>	<b>\$ 515,266</b>	<b>\$ 3,339,663</b>

The accompanying notes are an integral part of these financial statements

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2013

	Program services		Supporting services		Total 2013 expenses
	Professional education	Public education	Management and general	Fundraising	
Salaries	\$ 427,892	\$ 543,234	\$ 186,855	\$ 295,713	\$ 1,453,694
Payroll taxes	35,123	44,591	15,338	24,273	119,325
Employee health and retirement benefits	38,301	48,624	16,725	26,470	130,120
Total salaries and related expenses	<u>501,316</u>	<u>636,449</u>	<u>218,918</u>	<u>346,456</u>	<u>1,703,139</u>
Professional services	148,126	467,139	7,782	29,182	652,229
Supplies and postage	20,688	71,360	6,523	12,720	111,291
Telecommunications	31,175	12,728	3,666	5,564	53,133
Rent	37,620	47,054	16,742	25,986	127,402
Insurance	3,364	4,207	1,497	2,324	11,392
Conferences, conventions and meetings	40,338	6,477	1,991	8,825	57,631
Interest	5,640	7,055	2,510	3,896	19,101
Computer and website expenses	11,736	74,278	1,859	15,258	103,131
Rental equipment	7,089	8,774	3,116	4,836	23,815
Travel expense	6,033	19,377	5,829	12,654	43,893
Printing and publications	34,172	123,928	6,733	15,314	180,147
Marketing/public relations	12,788	105,396	6,077	64,038	188,299
Audit fees	1,650	1,650	12,375	825	16,500
Maintenance and repair	5,523	6,908	2,458	3,815	18,704
Utilities	5,152	6,443	2,293	3,558	17,446
Property taxes	7,019	8,779	3,124	4,848	23,770
Miscellaneous	447	740	476	7,874	9,537
	<u>378,560</u>	<u>972,293</u>	<u>85,051</u>	<u>221,517</u>	<u>1,657,421</u>
Total expenses before depreciation	879,876	1,608,742	303,969	567,973	3,360,560
Depreciation	<u>14,657</u>	<u>18,332</u>	<u>6,523</u>	<u>10,124</u>	<u>49,636</u>
Total expenses	<u>\$ 894,533</u>	<u>\$ 1,627,074</u>	<u>\$ 310,492</u>	<u>\$ 578,097</u>	<u>\$ 3,410,196</u>

The accompanying notes are an integral part of these financial statements

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
For the years ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 140,209	\$ 313,551
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	36,352	49,636
Changes in operating assets and liabilities:		
Unrealized gain on short term investment	(292)	(536)
Decrease (increase) in receivables	37,547	67,959
Decrease (increase) in prepaid expenses	(26,103)	11,444
Decrease (increase) in publications inventory	(25,934)	46,674
Increase (decrease) in accounts payable and accrued expenses	203,260	(97,894)
	365,039	390,834
Net cash provided (used) by operating activities	365,039	390,834
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of furniture and equipment	(1,777)	(10,594)
	(1,777)	(10,594)
Net cash provided (used) by investing activities	(1,777)	(10,594)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(15,362)	(41,621)
Principal payments on capital lease obligations	-	(87)
	(15,362)	(41,708)
Net cash provided (used) by financing activities	(15,362)	(41,708)
Net increase (decrease) in cash and cash equivalents	347,900	338,532
Cash and cash equivalents, beginning of year	1,447,074	1,108,542
Cash and cash equivalents, end of year	\$ 1,794,974	\$ 1,447,074
<b>Supplemental Disclosures:</b>		
Interest paid	\$ 18,459	\$ 19,101

The accompanying notes are an integral part of these financial statements



**NATIONAL STROKE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014 and 2013

**NOTE 1 - NATURE OF ORGANIZATION**

The National Stroke Association (the "Association") is a not-for-profit organization incorporated in 1984 whose mission is to reduce the incidence and impact of a stroke. This mission is accomplished by focusing attention on the stroke survivor and his/her family, developing a clearinghouse of stroke information, providing public and professional stroke education, promoting research and communicating these ideas through newsletters, publications, and special reports.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The accrual basis of accounting is used for financial statement presentation. Under the accrual method of accounting, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses and the related liabilities are recognized when incurred rather than when paid.

**b. Financial Statement Presentation**

Under Financial Accounting Standards Board FASB ASC 958-205-45 *Financial Statements of Not-for-Profit Organizations*, the Association is required 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.

Unrestricted Net Assets – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

**c. Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments, including money market funds, with original maturities of three months or less.

**d. Short-Term Investments**

Short-term investments consist primarily of money funds, certificates of deposit, and Treasury notes that are due within one year and are recorded at fair value, which approximates cost. Short-term investments with maturities of three months or less are not considered cash and cash equivalents for the statement of cash flows.

**NATIONAL STROKE ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. *Accounts Receivable***

Accounts receivable consists of amounts to be received under contracts in place or amounts invoiced at the end of the year. Uncollectible accounts are written off using the specific identification method; therefore, an allowance account is not used.

**f. *Publications Inventory***

Publications inventory is stated at the lower of cost or market. Cost is determined using the average cost method.

**g. *Furniture and Equipment***

Furniture and equipment are stated at the cost of acquisition or at the estimated fair value on the date of donation. Fixed assets acquired with a cost or fair value of \$500 or more at the date of acquisition are capitalized. Depreciation is recorded using the straight-line method over estimated useful lives of the assets.

**h. *Deferred Revenue***

Revenue from fees and services is recognized ratably over the period the service is provided. Deferred revenue represents amounts which were billed and received in advance and will be recognized as revenue when earned. There was no deferred revenue at December 31, 2014 or 2013.

**i. *Contributions and Pledges Receivable***

Contributions, including unconditional promises to give, are recorded as received. The Association reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Unconditional promises to give are recorded when pledges are made by the respective donors. An allowance for uncollectibility is provided based on review of individually significant pledges. No allowance was deemed necessary by the Association at December 31, 2014 and 2013, as all pledges are considered fully collectible. All contributions are available for unrestricted use, unless specified by the donor for a specific purpose. Pledges receivable are classified as temporarily restricted contributions. When the pledge is funded, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**j. *Contributed Services***

No amounts for contributed services have been reflected in the financial statements. The Association pays for substantially all services which require specific expertise. However, a number of individuals and firms have been significant contributors of their time to the Association.

**NATIONAL STROKE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2014 and 2013

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k. Income Taxes**

The Association is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3). As a charitable organization, only unrelated business income is subject to tax under IRC Section 511.

The Association follows FASB ASC 740 *Income Taxes*, which requires entities to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. The Association has evaluated tax positions taken related to its tax-exempt status, and none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2014. Tax returns for the Association for the previous three years (2011 through 2013) are subject to examination by the Internal Revenue Service, generally three years after initial filing.

**l. 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 revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**NOTE 3 - FURNITURE AND EQUIPMENT**

Furniture and equipment consists of the following:

	<u>Estimated Useful Life</u>	<u>2014</u>	<u>2013</u>
Furniture, fixtures and equipment	3-5 years	\$ 451,737	\$ 449,960
Leasehold improvements	5-10 years	<u>31,213</u>	<u>31,213</u>
		482,950	481,173
Less: Accumulated depreciation and amortization		<u>(423,311)</u>	<u>(386,959)</u>
		<u>\$ 59,639</u>	<u>\$ 94,214</u>

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$1,435,697 and \$807,916 are reported at December 31, 2014 and 2013, respectively. The balances consist of pledges receivable of \$125,000 and \$50,000, respectively, and contributions restricted for purpose of \$1,310,697 and \$757,916, respectively.

**NOTE 5 - PHARMACEUTICAL COMPANIES CONTRACTS CONCENTRATION**

The Association received approximately 51% and 34% of its revenues in 2014 and 2013, respectively, from contributions and contracts with pharmaceutical companies. Total accounts receivable at December 31, 2014 and 2013, from pharmaceutical companies was approximately \$97,401 and \$23,000, respectively.

**NATIONAL STROKE ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 6 - LEASE COMMITMENTS**

The Association leases office equipment and its facilities under various noncancelable operating lease agreements. During the year ended December 31, 2009, the Association entered into a lease agreement for office equipment with monthly payments of \$571, which continued through June 2014. In March 2014, the Association extended its facilities lease agreement through March 2016, with monthly payments ranging from \$8,117 to \$8,415 per month. In July 2013, the Association entered into another lease agreement for office equipment with monthly payments of \$458, which continue through October, 2018. Expected future minimum lease payments under the facilities lease are as follows:

Year Ending December 31:	
2015	\$ 105,586
2016	30,744
2017	5,499
2018	<u>4,583</u>
Total	\$ <u>146,412</u>

Total rental expense (including common area maintenance and property taxes) for operating leases for the years ended December 31, 2014 and 2013 was \$104,167 and \$127,402, respectively.

**NOTE 7 - NOTE PAYABLE**

On May 26, 2011, the Association entered into a \$120,000 loan agreement to purchase equipment, software and installation. The note bore an interest rate of 5.75% and required thirty-five monthly payments of \$3,642, with the final payment due on May 26, 2014. The final payment was made on May 15, 2014. The note was secured by all inventory, chattel paper, accounts, equipment and general intangibles of the Association.

**NOTE 8 - LINE OF CREDIT**

In January 2015, the Association renewed a \$200,000 line of credit agreement that matures on January 31, 2016. This agreement bears interest that is variable, calculated at the bank's index rate plus 1%. The line of credit is secured by all inventory, chattel paper, accounts, equipment and general intangibles of the Association. As of December 31, 2014 and 2013, there had been no draws on the line of credit.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

The Association maintains cash balances at banks which are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Association's balances in these accounts exceed the insured amounts.

**NOTE 10 - 401(k) PLAN**

Effective February 1, 1998, the Association established a 401(k) plan that covers all eligible employees. Contributions by the Association are made to the plan at the discretion of the Association. The Association contributed \$22,522 and \$32,932 to the plan in the years ended December 31, 2014 and 2013, respectively.

**NOTE 11 - SUBSEQUENT EVENTS**

FASB ASC 855-10-50 *Subsequent Events* statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Association's financial statements were available to be issued on April 23, 2015, and this is the date through which subsequent events were evaluated.