

**NATIONAL STROKE ASSOCIATION**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4 - 5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 10



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, 2015 and 2014, 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, 2015 and 2014 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

May 15, 2016

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,287,709	\$ 1,800,010
Short-term investments	2,536	2,503
Trade receivables	304,246	171,052
Grants and pledges receivable	-	125,000
Prepaid expenses	53,957	45,183
Publications inventory	72,708	90,195
Total current assets	1,721,156	2,233,943
Furniture and equipment, net of accumulated depreciation of \$451,703 and \$423,311 in 2015 and 2014, respectively	34,068	59,639
Total assets	\$ 1,755,224	\$ 2,293,582
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 276,116	\$ 376,190
Current portion of long term debt	840	-
Total current liabilities	276,956	376,190
Long-term liabilities:		
Long-term portion of capital lease obligations	1,462	-
Total liabilities	278,418	376,190
Net assets:		
Unrestricted	469	481,695
Temporarily restricted	1,476,337	1,435,697
Total net assets	1,476,806	1,917,392
Total liabilities and net assets	\$ 1,755,224	\$ 2,293,582

The accompanying notes are an integral part of these financial statements

**NATIONAL STROKE ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
For the years ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and other support:						
Grants and contracts	\$ 332,408	\$ 1,423,428	\$ 1,755,836	\$ 1,006,871	\$ 1,131,877	\$ 2,138,748
Contributions	996,893	-	996,893	738,070	-	738,070
Memberships	374,661	-	374,661	410,429	-	410,429
Publications and material aids	227,088	-	227,088	158,156	-	158,156
Other income including interest	32,383	-	32,383	34,469	-	34,469
Net assets released from restrictions	1,382,788	(1,382,788)	-	504,096	(504,096)	-
Total revenues and other support	<u>3,346,221</u>	<u>40,640</u>	<u>3,386,861</u>	<u>2,852,091</u>	<u>627,781</u>	<u>3,479,872</u>
Expenses:						
Professional education	913,693	-	913,693	779,905	-	779,905
Public education	2,072,636	-	2,072,636	1,731,382	-	1,731,382
Management and general	340,646	-	340,646	313,110	-	313,110
Fundraising	500,472	-	500,472	515,266	-	515,266
Total expenses	<u>3,827,447</u>	<u>-</u>	<u>3,827,447</u>	<u>3,339,663</u>	<u>-</u>	<u>3,339,663</u>
Change in net assets	(481,226)	40,640	(440,586)	(487,572)	627,781	140,209
Net assets, beginning 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>
Net assets, end of year	<u>\$ 469</u>	<u>\$ 1,476,337</u>	<u>\$ 1,476,806</u>	<u>\$ 481,695</u>	<u>\$ 1,435,697</u>	<u>\$ 1,917,392</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, 2015

	Program services		Supporting services		Total 2015 expenses
	Professional education	Public education	Management and general	Fundraising	
Salaries	\$ 279,574	\$ 560,867	\$ 202,212	\$ 263,289	\$ 1,305,942
Payroll taxes	22,577	45,292	16,329	21,261	105,459
Employee health and retirement benefits	28,385	56,944	20,531	26,732	132,592
<b>Total salaries and related expenses</b>	<b>330,536</b>	<b>663,103</b>	<b>239,072</b>	<b>311,282</b>	<b>1,543,993</b>
Professional services	235,088	780,225	15,100	11,277	1,041,690
Supplies and postage	61,031	87,314	6,723	14,890	169,958
Telecommunications	25,376	13,162	3,699	4,742	46,979
Rent	22,408	44,984	16,210	21,490	105,092
Insurance	2,220	5,591	1,606	5,532	14,949
Conferences, conventions and meetings	36,800	9,951	2,034	9,731	58,516
Interest and credit card fees	2,883	6,165	2,093	3,892	15,033
Computer and website expenses	26,005	135,008	6,552	9,291	176,856
Rental equipment	2,721	5,461	1,968	2,609	12,759
Travel expense	10,538	21,403	8,120	15,907	55,968
Printing and publications	101,648	117,727	120	24,469	243,964
Marketing/public relations	35,720	142,242	10,613	43,507	232,082
Audit fees	1,560	1,560	12,480	-	15,600
Maintenance and repair	3,845	7,719	2,781	3,688	18,033
Utilities	3,434	6,893	2,484	3,293	16,104
Property taxes	4,658	9,351	3,370	4,467	21,846
Miscellaneous	1,168	2,624	1,242	4,599	9,633
	<b>577,103</b>	<b>1,397,380</b>	<b>97,195</b>	<b>183,384</b>	<b>2,255,062</b>
<b>Total expenses before depreciation</b>	<b>907,639</b>	<b>2,060,483</b>	<b>336,267</b>	<b>494,666</b>	<b>3,799,055</b>
Depreciation	6,054	12,153	4,379	5,806	28,392
<b>Total expenses</b>	<b>\$ 913,693</b>	<b>\$ 2,072,636</b>	<b>\$ 340,646</b>	<b>\$ 500,472</b>	<b>\$ 3,827,447</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, 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
 Total salaries and related expenses	 <u>273,077</u>	 <u>576,609</u>	 <u>199,674</u>	 <u>258,270</u>	 <u>1,307,630</u>
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 and credit card fees	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
	<u>499,055</u>	<u>1,138,901</u>	<u>107,985</u>	<u>249,740</u>	<u>1,995,681</u>
 Total expenses before depreciation	 772,132	 1,715,510	 307,659	 508,010	 3,303,311
Depreciation	<u>7,773</u>	<u>15,872</u>	<u>5,451</u>	<u>7,256</u>	<u>36,352</u>
 Total expenses	 <u>\$ 779,905</u>	 <u>\$ 1,731,382</u>	 <u>\$ 313,110</u>	 <u>\$ 515,266</u>	 <u>\$ 3,339,663</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, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (440,586)	\$ 140,209
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,392	36,352
Changes in operating assets and liabilities:		
Unrealized gain on short term investment	(33)	(292)
Decrease (increase) in receivables	(8,194)	37,547
Decrease (increase) in prepaid expenses	(8,774)	(26,103)
Decrease (increase) in publications inventory	17,487	(25,934)
Increase (decrease) in accounts payable and accrued expenses	(100,074)	203,260
Net cash provided (used) by operating activities	(511,782)	365,039
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of furniture and equipment	-	(1,777)
Net cash provided (used) by investing activities	-	(1,777)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligations	(519)	(15,362)
Net cash provided (used) by financing activities	(519)	(15,362)
Net increase (decrease) in cash and cash equivalents	(512,301)	347,900
Cash and cash equivalents, beginning of year	1,800,010	1,447,074
Cash and cash equivalents, end of year	\$ 1,287,709	\$ 1,794,974
<b>Supplemental Disclosures:</b>		
Interest paid	\$ 503	\$ 3,878
Equipment acquired under new capital lease agreements	\$ 2,821	\$ -

The accompanying notes are an integral part of these financial statements



**NATIONAL STROKE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**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, 2015 and 2014

**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. *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, 2015 and 2014, 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.

**i. *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.

**j. *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.

**NATIONAL STROKE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**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, 2015. Tax returns for the Association for the previous three years (2012 through 2014) are subject to examination by the Internal Revenue Service, generally three years after initial filing.

**NOTE 3 - 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 4 - PHARMACEUTICAL COMPANIES CONTRACTS CONCENTRATION**

The Association received approximately 44% and 51% of its revenues in 2015 and 2014, respectively, from contributions and contracts with pharmaceutical companies. Total accounts receivable at December 31, 2015 and 2014, from pharmaceutical companies was approximately \$286,761 and \$97,401, respectively.

**NOTE 5 - FURNITURE AND EQUIPMENT**

Furniture and equipment consists of the following:

	<u>Estimated Useful Life</u>	<u>2015</u>	<u>2014</u>
Furniture, fixtures and equipment	3-5 years	\$ 454,558	\$ 451,737
Leasehold improvements	5-10 years	<u>31,213</u>	<u>31,213</u>
		485,771	482,950
Less: Accumulated depreciation and amortization		<u>(451,703)</u>	<u>(423,311)</u>
		<u>\$ 34,068</u>	<u>\$ 59,639</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$1,476,337 and \$1,435,697 are reported at December 31, 2015 and 2014, respectively. The balances consist of pledges receivable of \$0 and \$125,000, respectively, and contributions restricted for purpose of \$1,476,337 and \$1,310,697, respectively.

**NOTE 7 - LINE OF CREDIT**

In January 2016, the Association renewed a \$200,000 line of credit agreement that matures on January 31, 2017. 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, 2015 and 2014, there had been no draws on the line of credit.

**NATIONAL STROKE ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

**NOTE 8 - LEASE COMMITMENTS**

The Association leases office equipment and its facilities under various noncancelable operating lease agreements. In July 2013, the Association entered into a lease agreement for office equipment with monthly payments of \$458, which continue through October, 2018. In October 2015, the Association extended its facilities lease agreement through March 2018, with monthly payments ranging from \$8,670 to \$8,930 per month. Expected future minimum lease payments under the facilities lease are as follows:

Year Ending December 31:	
2016	\$ 108,774
2017	111,879
2018	<u>31,373</u>
Total	\$ <u>252,026</u>

Total rental expense for operating leases for the years ended December 31, 2015 and 2014 was \$110,591 and \$109,664, respectively.

**NOTE 9 - 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 \$28,301 and \$22,522 to the plan in the years ended December 31, 2015 and 2014, respectively.

**NOTE 10 - 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 May 15, 2016, and this is the date through which subsequent events were evaluated.