NATIONAL STROKE ASSOCIATION

FINANCIAL STATEMENTS

December 31, 2013 and 2012

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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, 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 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, 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.

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

March 27, 2014

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NATIONAL STROKE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,447,074	$ 1,108,542
Short-term investments	2,211	1,675
Trade receivables	283,599	159,000
Grants and pledges receivable	50,000	242,558
Prepaid expenses	19,080	30,524
Publications inventory	64,261	110,935
Total current assets	1,866,225	1,653,234
Furniture and equipment, net of accumulated depreciation of $386,959 and $337,322 in 2013 and 2012, respectively	94,214	133,256
Total assets	$ 1,960,439	$ 1,786,490
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 167,894	$ 265,788
Current portion of capital lease obligations	-	87
Current portion of long term debt	15,362	42,537
Total current liabilities	183,256	308,412
Long-term liabilities:		
Long-term portion of notes payable	-	14,446
Total long-term liabilities	-	14,446
Total liabilities	183,256	322,858
Net assets:		
Unrestricted	969,267	1,115,357
Temporarily restricted	807,916	348,275
Total net assets	1,777,183	1,463,632
Total liabilities and net assets	$ 1,960,439	$ 1,786,490

The accompanying notes are an integral part of these financial statements

NATIONAL STROKE ASSOCIATION
STATEMENT OF ACTIVITIES
For the years ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and other support:						
Grants and contracts	$ 1,073,307	$ 866,700	$ 1,940,007	$ 1,139,561	$ 216,558	$ 1,356,119
Contributions	1,264,428	-	1,264,428	1,266,998	-	1,266,998
Memberships	389,187	-	389,187	380,777	-	380,777
Publications and material aids	88,480	-	88,480	79,600	-	79,600
Other income including interest	41,645	-	41,645	20,595	-	20,595
Net assets released from restrictions	407,059	(407,059)	-	2,281	(2,281)	-
Total revenues and other support	3,264,106	459,641	3,723,747	2,889,812	214,277	3,104,089
Expenses:						
Professional education	894,533	-	894,533	1,349,135	-	1,349,135
Public education	1,627,074	-	1,627,074	1,028,235	-	1,028,235
Management and general	310,492	-	310,492	319,058	-	319,058
Fundraising	578,097	-	578,097	692,340	-	692,340
Total expenses	3,410,196	-	3,410,196	3,388,768	-	3,388,768
Change in net assets	(146,090)	459,641	313,551	(498,956)	214,277	(284,679)
Net assets, beginning of year	1,115,357	348,275	1,463,632	1,614,313	133,998	1,748,311
Net assets, end of year	$ 969,267	$ 807,916	$ 1,777,183	$ 1,115,357	$ 348,275	$ 1,463,632

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
	Professional education	Public education	Management and general	Fundraising	2013 expenses
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	501,316	636,449	218,918	346,456	1,703,139
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
Telecommuncations	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
	378,560	972,293	85,051	221,517	1,657,421
Total expenses before depreciation	879,876	1,608,742	303,969	567,973	3,360,560
Depreciation	14,657	18,332	6,523	10,124	49,636
Total expenses	$ 894,533	$ 1,627,074	$ 310,492	$ 578,097	$ 3,410,196

The accompanying notes are an integral part of these financial statements

NATIONAL STROKE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Program services		Supporting services		Total
	Professional education	Public education	Management and general	Fundraising	Total 2012 expenses
Salaries	$ 534,646	$ 442,930	$ 185,315	$ 286,014	$ 1,448,905
Payroll taxes	41,727	34,569	14,463	22,322	113,081
Employee health and retirement benefits	48,724	40,408	16,874	26,058	132,064
Total salaries and related expenses	625,097	517,907	216,652	334,394	1,694,050
Professional services	190,964	78,105	8,267	29,104	306,440
Supplies and postage	56,503	23,125	6,793	25,127	111,548
Telecommunications	23,804	11,621	3,484	4,283	43,192
Rent	38,979	42,370	15,449	24,053	120,851
Insurance	3,146	3,420	1,247	1,942	9,755
Conferences, conventions and meetings	68,756	11,121	3,058	10,886	93,821
Interest	8,427	9,160	3,340	5,200	26,127
Computer and website expenses	45,860	24,840	2,957	13,794	87,451
Rental equipment	5,827	6,334	2,310	3,596	18,067
Travel expense	21,959	23,149	10,371	24,444	79,923
Printing and Publications	158,420	72,856	6,288	32,928	270,492
Marketing/Public relations	63,809	165,727	12,736	160,779	403,051
Audit fees	1,627	1,627	12,199	813	16,266
Maintenance and repair	5,774	5,577	1,969	3,066	16,386
Utilities	5,066	5,507	2,008	3,126	15,707
Property taxes	7,429	8,075	2,944	4,584	23,032
Miscellaneous	2,595	1,309	1,004	908	5,816
	708,945	493,923	96,424	348,633	1,647,925
Total expenses before depreciation	1,334,042	1,011,830	313,076	683,027	3,341,975
Depreciation	15,093	16,405	5,982	9,313	46,793
Total expenses	$ 1,349,135	$ 1,028,235	$ 319,058	$ 692,340	$ 3,388,768

The accompanying notes are an integral part of these financial statements

NATIONAL STROKE ASSOCIATION
STATEMENT OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 313,551	$ (284,679)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	49,636	46,793
Changes in operating assets and liabilities:		
Unrealized gain on short term investment	(536)	(135)
Decrease (increase) in receivables	67,959	(201,910)
Decrease (increase) in prepaid expenses	11,444	133,040
Decrease (increase) in publications inventory	46,674	48,158
Increase (decrease) in accounts payable and accrued expenses	(97,894)	(268,299)
Increase (decrease) in deferred revenue	-	(9,195)
Net cash provided (used) by operating activities	390,834	(536,227)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(10,594)	(134,311)
Net cash provided (used) by investing activities	(10,594)	(134,311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(41,621)	(40,144)
Principal payments on capital lease obligations	(87)	(1,919)
Net cash provided (used) by financing activities	(41,708)	(42,063)
Net increase (decrease) in cash and cash equivalents	338,532	(712,601)
Cash and cash equivalents, beginning of year	1,108,542	1,821,143
Cash and cash equivalents, end of year	$ 1,447,074	$ 1,108,542

	2013	2012
Supplemental Disclosures:		
Interest paid	$ 19,101	$ 26,127

The accompanying notes are an integral part of these financial statements

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.

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, 2013 or 2012.

i. Contributions/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, 2013 and 2012, 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.

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, 2013. Tax returns for the Association for the previous three years (2010 through 2012) 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:

	Estimated Useful Life	2013	2012
Furniture, fixtures and equipment	3-5 years	$ 449,960	$ 447,340
Leasehold improvements	5-10 years	31,213	23,238
		481,173	470,578
Less: Accumulated depreciation and amortization		(386,959)	(337,322)
		$ 94,214	$ 133,256

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $807,916 and $348,275 are reported at December 31, 2013 and 2012, respectively. The balances consist of pledges receivable of $0 and $1,000, respectively, and contributions restricted for purpose of $807,916 and $347,275, respectively.

NOTE 5 - PHARMACEUTICAL COMPANIES CONTRACTS CONCENTRATION

The Association received approximately 34% and 44% of its revenues in 2013 and 2012, respectively, from contributions and contracts with pharmaceutical companies. Total accounts receivable at December 31, 2013 and 2012, from pharmaceutical companies was approximately $23,000 and $159,000, respectively.

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 continue 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:	
2014	$ 113,093
2015	105,586
2016	30,744
2017	5,499
2018	4,583
Total	$ 259,505

Total rental expense (including common area maintenance and property taxes) for operating leases for the years ended December 31, 2013 and 2012 was $127,402 and $120,851, 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 bears an interest rate of 5.75% and requires thirty-five monthly payments of $3,642, with the final payment due on May 26, 2014. The note is secured by all inventory, chattel paper, accounts, equipment and general intangibles of the Association.

The note has future minimum payments of principal and interest as follows:

Year Ending December 31:	
2014	$ 14,569
Less amounts representing interest	(123)
Total	$ 14,446

NOTE 8 - LINE OF CREDIT

In January 2014, the Association renewed a $200,000 line of credit agreement that matures on January 31, 2015. 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, 2013 and 2012, there had been no draws on the line of credit.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances at commercial 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 $32,932 and $32,011 to the plan in the years ended December 31, 2013 and 2012, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The Association has adopted the provisions of FASB ASC 855-10-50 *Subsequent Events*. This 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 March 27, 2014, and this is the date through which subsequent events were evaluated. The Association did not identify any subsequent events requiring disclosure.