

THE CARDIOVASCULAR MEDICAL RESEARCH  
AND EDUCATION FUND, INC.  
(A non-profit organization)

FINANCIAL STATEMENTS

DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-6

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# HEFFLER, RADETICH & SAITTA, LLP

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— CERTIFIED PUBLIC ACCOUNTANTS —

## Independent Accountant's Compilation Report

To the Board of Trustees  
The Cardiovascular Medical Research and Education Fund, Inc.  
Philadelphia, Pennsylvania

We have compiled the accompanying Statement of Financial Position of the Cardiovascular Medical Research and Education Fund, Inc. (a non-profit organization) as of December 31, 2012, and the related Statements of Activities and Cash Flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the presentation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.



Philadelphia, Pennsylvania  
June 12, 2013

**THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**

**ASSETS**

Cash and Cash Equivalents	\$ 6,144,090
Dividend Income Receivable	28,355
Investments	<u>9,077,758</u>

**TOTAL ASSETS** \$ 15,250,203

**LIABILITIES**

Accrued Excise Tax	\$ 4,280
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**NET ASSETS**

Unrestricted Net Assets	<u>\$ 15,245,923</u>
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**TOTAL LIABILITIES AND NET ASSETS** \$ 15,250,203

See accompanying notes and independent accountant's compilation report.

**THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**UNRESTRICTED REVENUE**

Dividend Income	\$ 341,856
Interest Income	30,730
Capital Gain	8,419
Return of Capital	124
Unrealized Gain on Investments	200,866
<b>Total Unrestricted Revenue</b>	<b>581,995</b>

**EXPENSES**

**Management & General**

Advertising	11,062
Bank Charges	730
Insurance	7,463
Meeting Reimbursement	26,175
Office Supplies	15,487
Payroll	26,875
Professional Fees - Accounting	15,670
Professional Fees - Website	110
Taxes - Excise Tax	7,620
Taxes - Payroll	2,154
Telephone	3,334
Payroll Service Charges	1,254

**Program Services**

Awards & Grants	3,612,673
Payroll	26,875
Taxes - Payroll	2,154
	<b>2,154</b>

**Total Expenses**

**3,759,635**

**DECREASE IN UNRESTRICTED NET ASSETS**

(3,177,640)

**UNRESTRICTED NET ASSETS, BEGINNING OF YEAR**

18,423,563

**UNRESTRICTED NET ASSETS, END OF YEAR**

**\$ 15,245,923**

See accompanying notes and independent accountant's compilation report.

**THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Cash flows from operating activities</b>	
Decrease in Net Assets	\$ (3,177,640)
Adjustments to reconcile increase in Net Assets to net cash (used) in operating activities:	
Unrealized Gain on Investments	(200,866)
Decrease in dividend income receivable	12,152
Increased in accrued excise tax	<u>2,937</u>
<b>Net Cash (used) in operating activities</b>	<u>(3,363,417)</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of Investments	3,999,980
Purchase of Investments	<u>(4,000,029)</u>
<b>Net Cash (used) in investing activities</b>	<u>(49)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(3,363,466)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>9,507,556</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,144,090</u>

See accompanying notes and independent accountant's compilation report.

**THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Cardiovascular Medical Research and Education Fund (the Fund) is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund has been established to carry out part of the Nationwide Class Action Settlement Agreement ("Settlement Agreement") with American Home Products Corporation. The Settlement Agreement requires the creation of the Fund to carry out medical research and education related to the treatment and cure of primary pulmonary hypertension, a disease which is nearly always fatal.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Financial Statement Presentation**

The Organization 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.

**Contributions**

Contributions are required to be reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

THE CARDIOVASCULAR MEDICAL RESEARCH AND EDUCATION FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes**

The Fund is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, has made no provision for federal income taxes in the accompanying financial statements. As a Private Foundation, the Fund is subject to federal excise tax on net investment income as defined by the IRC. The Organization's Federal Exempt Organization Return of Private Foundation for years 2009, 2010 & 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Fund maintains the majority of its cash balances at one financial institution. This account significantly exceeds federally insured limits. The Organization has not experienced any losses from maintaining accounts in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk relating to its cash accounts.

NOTE 3 - SET-ASIDE DISTRIBUTION

The Fund is required to distribute 5% of its net assets to specific projects each year in order to avoid incurring excise tax. Such distributions are recognized at the time that the unconditional promises to give by the Fund are made. The Fund met its requirements with respect to required distributions for the year ended December 31, 2012.

NOTE 4 - INVESTMENTS

Investments in marketable securities are carried at fair value based on quoted prices in active markets (all level 1 measurements) and consist of the following at December 31, 2012:

Government & Agency Bond	1,000,940
Short-Term Bond Fund	4,575,004
Unit Investment Trust	<u>3,501,814</u>
Total Investment	<u>\$ 9,077,758</u>

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2013 date the financial statements were available to be issued.