

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Pulmonary Hypertension Association, Inc.

We have audited the accompanying consolidated financial statements of The Pulmonary Hypertension Association, Inc. (the Association), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Pulmonary Hypertension Association, Inc. as of December 31, 2015 and 2014 and the consolidated 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
August 21, 2016

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,300,191	\$ 4,557,332
Contributions receivable	3,342,578	924,378
Grant receivable	24,000	-
Prepaid expenses	59,728	128,033
Total current assets	5,726,497	5,609,743
RESTRICTED CASH	-	140,615
INVESTMENTS - at fair value	3,337,664	3,217,082
ENDOWED INVESTMENTS AND ACCUMULATED EARNINGS - at fair value	8,289,868	8,290,397
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION	172,758	25,978
OTHER ASSETS	74,907	51,410
Total assets	\$ 17,601,694	\$ 17,335,225
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 279,046	\$ 82,919
Accrued expenses	80,165	303,731
Grants payable - current portion	338,750	238,250
Total current liabilities	697,961	624,900
GRANTS PAYABLE - NON CURRENT PORTION	527,197	606,250
DEFERRED RENT	153,717	154,900
Total liabilities	1,378,875	1,386,050
NET ASSETS		
Unrestricted		
Available for operations	4,986,185	5,660,095
Designated for contingencies	250,000	250,000
Designated for equipment and leasehold improvements	172,758	25,978
Total unrestricted	5,408,943	5,936,073
Temporarily restricted	8,609,244	8,137,627
Permanently restricted	2,204,632	1,875,475
Total net assets	16,222,819	15,949,175
Total liabilities and net assets	\$ 17,601,694	\$ 17,335,225

See accompanying notes to consolidated financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions	\$ 5,345,974	\$ 9,400	\$ 50,000	\$ 5,405,374	\$ 4,311,491	\$ 109,545	\$ -	\$ 4,421,036
Contributions - research	-	4,798,446	-	4,798,446	-	3,895,526	-	3,895,526
In-kind donations	851	-	-	851	1,540	-	-	1,540
Conference	64,300	-	-	64,300	260,123	-	-	260,123
Grants	350,150	-	-	350,150	62,100	-	-	62,100
Membership dues	278,565	-	-	278,565	255,046	-	-	255,046
Merchandise sales	30,464	-	-	30,464	41,239	-	-	41,239
Investment income	107,637	18,812	-	126,449	750,586	313,952	-	1,064,538
Other	265,645	-	-	265,645	119,735	-	-	119,735
Releases from restrictions	4,355,041	(4,355,041)	-	-	4,350,949	(4,350,949)	-	-
Transfer to permanently restricted	(279,157)	-	279,157	-	-	-	-	-
Total revenue and support	10,519,470	471,617	329,157	11,320,244	10,152,809	(31,926)	-	10,120,883
EXPENSES								
Program services	7,642,653	-	-	7,642,653	7,392,138	-	-	7,392,138
Management and general	1,127,578	-	-	1,127,578	856,446	-	-	856,446
Fund raising	2,276,369	-	-	2,276,369	1,452,578	-	-	1,452,578
Total expenses	11,046,600	-	-	11,046,600	9,701,162	-	-	9,701,162
CHANGE IN NET ASSETS	(527,130)	471,617	329,157	273,644	451,647	(31,926)	-	419,721
NET ASSETS								
Beginning of year	5,936,073	8,137,627	1,875,475	15,949,175	5,484,426	8,169,553	1,875,475	15,529,454
End of year	\$ 5,408,943	\$ 8,609,244	\$ 2,204,632	\$ 16,222,819	\$ 5,936,073	\$ 8,137,627	\$ 1,875,475	\$ 15,949,175

See accompanying notes to consolidated financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,724,264	\$ 352,842	\$ 1,390,013	\$ 3,467,119
Employee related expenses	337,179	74,928	271,816	683,923
Advertising and marketing	51,109	40	466	51,615
Bank and credit card fees	-	188,704	-	188,704
Conference meals, lodging and travel	456,819	19,241	1,879	477,939
Copying and printing	394,815	2,450	15,339	412,604
Depreciation	40,200	18,257	-	58,457
Dues	3,635	6,924	1,743	12,302
Equipment	4,018	23,912	274	28,204
Insurance	-	24,403	-	24,403
Lobbying	48,489	-	-	48,489
Miscellaneous	67,887	(18,310)	-	49,577
Office rent	274,673	82,200	84,301	441,174
Postage	92,471	13,631	21,304	127,406
Professional fees	2,066,613	144,320	18,562	2,229,495
Repairs and maintenance	-	6,206	-	6,206
Research grants and expenses	1,080,394	-	-	1,080,394
Special events	690,725	35,693	349,579	1,075,997
Supplies	15,217	15,932	8,873	40,022
Telephone	4,539	14,464	14,002	33,005
Training	-	9,512	-	9,512
Travel	238,567	53,635	96,580	388,782
Web site fees	51,039	58,594	1,638	111,271
Totals	<u>\$ 7,642,653</u>	<u>\$ 1,127,578</u>	<u>\$ 2,276,369</u>	<u>\$ 11,046,600</u>

See accompanying notes to consolidated financial statements.

THE PULMONARY HPERTENSION ASSOCIATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 1,838,650	\$ 265,206	\$ 761,592	\$ 2,865,448
Employee related expenses	351,665	63,891	141,957	557,513
Advertising and marketing	98,642	-	340	98,982
Bank and credit card fees	26,504	104,488	-	130,992
Conference meals, lodging and travel	769,281	25,640	3,571	798,492
Copying and printing	465,349	511	4,654	470,514
Depreciation	-	14,889	-	14,889
Dues	1,436	6,179	1,240	8,855
Equipment	-	9,666	-	9,666
Insurance	-	26,052	-	26,052
Lobbying	50,714	-	-	50,714
Miscellaneous	97,606	13,771	1,806	113,183
Office rent	206,228	106,114	71,879	384,221
Postage	100,376	20,710	16,004	137,090
Professional fees	2,287,263	95,609	8,240	2,391,112
Repairs and maintenance	-	5,925	-	5,925
Research grants and expenses	315,632	-	-	315,632
Special events	443,220	-	271,048	714,268
Supplies	20,844	14,041	11,341	46,226
Telephone	-	30,638	-	30,638
Training	-	13,621	-	13,621
Travel	235,710	32,596	135,459	403,765
Web site fees	83,018	6,899	23,447	113,364
Totals	<u>\$ 7,392,138</u>	<u>\$ 856,446</u>	<u>\$ 1,452,578</u>	<u>\$ 9,701,162</u>

See accompanying notes to consolidated financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 273,644	\$ 419,721
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	58,458	14,889
Realized and unrealized gain on investments	34,753	(746,075)
Decrease (increase) in operating assets		
Contributions and other receivables	(2,418,200)	592,622
Grants receivable	(24,000)	
Prepaid expenses	68,305	(35,924)
Restricted cash	140,615	-
Other assets	(23,497)	6,193
Increase (decrease) in operating liabilities		
Accounts payable	196,127	(14,009)
Accrued expenses	(223,566)	246,065
Deferred rent	(1,183)	1,183
Grant payable	21,447	30,030
Net cash provided by (used for) operating activities	(1,897,097)	514,695
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(205,238)	(30,551)
Proceeds from sale of investments	9,644,438	12,771,373
Purchase of investments	(9,799,244)	(13,283,539)
Net cash used for investing activities	(360,044)	(542,717)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,257,141)	(28,022)
CASH AND CASH EQUIVALENTS		
Beginning of year	4,557,332	4,585,354
End of year	\$ 2,300,191	\$ 4,557,332

See accompanying notes to consolidated financial statements.

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

The Pulmonary Hypertension Association, Inc. (PHA), a Florida nonprofit organization, provides fellowship and educational support to pulmonary hypertension patients, their families, physicians, researchers and the public at large.

The Pulmonary Hypertension Care Centers (PHCC), an affiliate of the Pulmonary Hypertension Association, Inc., was created as a separate entity during 2015 to establish a program for accreditation centers with special expertise in pulmonary hypertension, particularly pulmonary arterial hypertension, to raise overall quality of care and outcomes in patients with this life-threatening disease. PHA and its Affiliate PHCC are consolidated in the accompanying consolidated financial statements and are collectively referred to as the Association.

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 consolidated 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 consolidated 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 consolidated 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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the consolidated 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. During 2015, cash and cash equivalents decreased by approximately \$2.5 million while contributions receivable increased by approximately \$2.4 million. This was due to timing of 2015 year end cash receipts.

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. Corporate and government bonds, common stock, and mutual funds are recorded at fair value as determined based on the quoted market price on the last day of the year. Money market funds and certificates of deposit are recorded at cost which approximates market value. 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.

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.

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 consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 3. INCOME TAX STATUS

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 consolidated 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, 2015, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have an effect on its tax-exempt status.

The Pulmonary Hypertension 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. Management believes that the Pulmonary Hypertension Care Center qualifies as tax exempt under Section 501(c)(3); however, the application and tax determination letter from the Internal Revenue Service is pending. There is no provision for income taxes as the Association had no unrelated business income for the year ended December 31, 2015. In accordance with U.S. generally accepted accounting principles, the Association has evaluated their tax position for the year ended December 31, 2015 and has determined that they qualify as a tax-exempt organization. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with Internal Revenue Service.

NOTE 4. INVESTMENTS

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.

NOTE 4. INVESTMENTS (CONTINUED)

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.

The following tables set forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2015 and 2014

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Money Market funds	\$ 714,542	\$ 714,542	\$ -	\$ -
Certificates of deposit	906,000	-	906,000	-
Corporate and government bonds	1,442,426	-	1,442,426	-
Common stock	7,221,943	7,221,943	-	-
Mutual funds	1,342,621	1,342,621	-	-
	<u>\$ 11,627,532</u>	<u>\$ 9,279,106</u>	<u>\$ 2,348,426</u>	<u>\$ -</u>

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Money Market funds	\$ 11,420,277	\$ 11,420,277	\$ -	\$ -
Certificates of deposit	-	-	-	-
Corporate and government bonds	-	-	-	-
Common stock	-	-	-	-
Mutual funds	87,202	87,202	-	-
	<u>\$ 11,507,479</u>	<u>\$ 11,507,479</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2015	2014
Realized gain on investments	\$ (146,641)	\$ 2,088,090
Interest and dividend income	203,352	318,463
Unrealized gain on investments	69,738	(1,342,015)
Total	<u>\$ 126,449</u>	<u>\$ 1,064,538</u>

NOTE 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2015</u>	<u>2014</u>
Equipment	\$ 231,860	\$ 219,892
Leasehold improvements	<u>214,198</u>	<u>23,539</u>
	446,058	243,431
Less: accumulated depreciation	<u>(273,300)</u>	<u>(217,453)</u>
Total	<u>\$ 172,758</u>	<u>\$ 25,978</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 U.S. 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 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

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

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, 2015 and 2014, the funds had a surplus 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.

As of December 31, 2015, balances in the Association's restricted funds, by net asset class, are as follows:

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

Fund	Permanently Restricted	Temporarily Restricted	Total
Research Fund	\$ -	\$ 3,632,958	\$ 3,632,958
Jeanine Hart - CA Scholarship	90,000	-	90,000
J. Hendry Scholarship Fund	-	12,029	12,029
Dukart Fund	-	27,682	27,682
Scholarships	-	186,835	186,835
Mason Hoffman Fund	-	49,284	49,284
B. Smith Endowment	114,632	4,111	118,743
Oracle Endowment	1,000,000	200,861	1,200,861
United Therapeutics Endowment	1,000,000	589,248	1,589,248
Time restricted	-	3,906,236	3,906,236
	<u>\$ 2,204,632</u>	<u>\$ 8,609,244</u>	<u>\$ 10,813,876</u>

As of December 31, 2014, balances in the Association's restricted funds, by net asset class, are as follows:

Fund	Permanently Restricted	Temporarily Restricted	Total
Research Fund	\$ -	\$ 4,031,101	\$ 4,031,101
J. Hendry Scholarship Fund	-	12,066	12,066
Dukart Fund	-	27,682	27,682
Scholarships	-	177,436	177,436
Mason Hoffman Fund	-	49,410	49,410
B. Smith Endowment	64,632	33,518	98,150
Oracle Endowment	874,611	266,352	1,140,963
United Therapeutics Endowment	936,232	653,055	1,589,287
Time restricted	-	2,887,007	2,887,007
	<u>\$ 1,875,475</u>	<u>\$ 8,137,627</u>	<u>\$ 10,013,102</u>

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

	<u>Jeanine Hart CA Scholarship</u>	<u>B. Smith Endowment</u>	<u>Oracle Endowment</u>	<u>United Therapeutics Endowment</u>	<u>Total</u>
Balance, December 31, 2013	\$ -	\$ 64,632	\$ 874,611	\$ 936,232	\$ 1,875,475
2014 Investment income	-	3,572	140,933	169,417	313,922
Transfer to temporarily restricted net assets	<u>-</u>	<u>(3,572)</u>	<u>(140,933)</u>	<u>(169,417)</u>	<u>(313,922)</u>
Balance, December 31, 2014	-	64,632	874,611	936,232	1,875,475
2015 Investment income	-	24,924	(2,991)	(3,121)	18,812
2015 Endowments	90,000	50,000	-	-	140,000
Transfer to temporarily restricted net assets	-	(24,924)	-	66,889	41,965
Transfer from unrestricted restricted net assets	<u>-</u>	<u>-</u>	<u>128,380</u>	<u>-</u>	<u>128,380</u>
Balance, December 31, 2015	<u>\$ 90,000</u>	<u>\$ 114,632</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,204,632</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 Ended December 31,	
2016	\$ 316,187
2017	325,658
2018	335,426
2019	345,473
2020	<u>145,407</u>
	<u>\$ 1,468,151</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$441,174 and \$384,221, respectively.

NOTE 8. GRANTS PAYABLE

The Association has made the following unconditional promises to give for research grants as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Payable in less than one year	\$ 338,750	\$ 238,250
Payable in one to five years	<u>527,197</u>	<u>606,250</u>
Total	<u>\$ 865,947</u>	<u>\$ 844,500</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, 2015 and 2014 that exceeded the balances insured by the FDIC by approximately \$189,000 and \$1,020,793, 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>2015</u>	<u>2014</u>
Revenue	\$ 2,089,335	\$ 1,499,763
Expenses	<u>1,075,997</u>	<u>714,268</u>
Total	<u>\$ 1,013,338</u>	<u>\$ 785,495</u>

NOTE 11. CONFERENCE AND SYMPOSIUM

The Association holds its Conference during even numbered years and its semi-annual Symposium during odd numbered years. Conference years typically earn greater revenues than non-Conference years.

NOTE 12. SUBSEQUENT EVENTS

The Association's management has evaluated events subsequent through August 21, 2016, 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.

SUPPLEMENTARY INFORMATION

THE PULMONARY HYPERTENSION ASSOCIATION, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	<u>Pulmonary Hypertension Association Inc.</u>	<u>Pulmonary Hypertension Care Center</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,031,448	\$ 268,743	\$ 2,300,191
Contributions receivable	3,297,578	45,000	3,342,578
Grant receivable	24,000	-	24,000
Prepaid expenses	<u>51,228</u>	<u>8,500</u>	<u>59,728</u>
Total current assets	5,404,254	322,243	5,726,497
INVESTMENTS - at fair value	3,337,664	-	3,337,664
ENDOWED INVESTMENTS AND ACCUMULATED EARNINGS - at fair value	8,289,868	-	8,289,868
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION	172,758	-	172,758
OTHER ASSETS	<u>74,907</u>	<u>-</u>	<u>74,907</u>
Total assets	<u>\$ 17,279,451</u>	<u>\$ 322,243</u>	<u>\$ 17,601,694</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 226,776	\$ 52,270	\$ 279,046
Accrued expenses	80,165	-	80,165
Grants payable - current portion	338,750	-	338,750
Total current liabilities	<u>645,691</u>	<u>52,270</u>	<u>697,961</u>
GRANTS PAYABLE - NON CURRENT PORTION	527,197	-	527,197
DEFERRED RENT	<u>153,717</u>	<u>-</u>	<u>153,717</u>
Total liabilities	<u>1,326,605</u>	<u>52,270</u>	<u>1,378,875</u>
NET ASSETS			
Unrestricted			
Available for operations	4,716,212	269,973	4,986,185
Designated for contingencies	250,000	-	250,000
Designated for equipment and leasehold improvements	<u>172,758</u>	<u>-</u>	<u>172,758</u>
Total unrestricted	5,138,970	269,973	5,408,943
Temporarily restricted	8,609,244	-	8,609,244
Permanently restricted	<u>2,204,632</u>	<u>-</u>	<u>2,204,632</u>
Total net assets	<u>15,952,846</u>	<u>269,973</u>	<u>16,222,819</u>
Total liabilities and net assets	<u>\$ 17,279,451</u>	<u>\$ 322,243</u>	<u>\$ 17,601,694</u>

