

**Audited Consolidated Financial Statements
and Supplementary Information**

**PULMONARY HYPERTENSION
ASSOCIATION, INC. and AFFILIATE**

December 31, 2017

Pulmonary Hypertension Association, Inc. and Affiliate

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Independent Auditor’s Report on the Consolidated Financial Statements

To the Board of Trustees
Pulmonary Hypertension Association, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Pulmonary Hypertension Association, Inc. and Affiliate (collectively, the Association), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, 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 the 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 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 financial position of Pulmonary Hypertension Association, Inc. and Affiliate as of December 31, 2017 and 2016, 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.

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Pulmonary Hypertension Association, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31,	2017	2016
Assets		
Cash and cash equivalents	\$ 2,439,145	\$ 3,104,830
Other receivables	3,813	16,313
Contributions receivable	2,355,407	827,934
Prepaid expenses and other assets	128,210	127,611
Investments	14,167,112	12,360,021
Property and equipment, net	95,459	148,991
Total assets	\$ 19,189,146	\$ 16,585,700
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 393,277	\$ 367,354
Accrued expenses	433,752	299,496
Grants payable	1,114,697	1,435,947
Deferred revenue	381,616	288,000
Deferred rent	104,277	131,145
Total liabilities	2,427,619	2,521,942
Net assets		
Unrestricted net assets	4,581,161	4,704,144
Temporarily restricted	9,858,734	7,054,982
Permanently restricted	2,321,632	2,304,632
Total net assets	16,761,527	14,063,758
Total liabilities and assets	\$ 19,189,146	\$ 16,585,700

See notes to the consolidated financial statements.

Pulmonary Hypertension Association, Inc. and Affiliate

Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support								
Contributions & grants	\$ 4,864,070	\$ 2,832,315	\$ 17,000	\$ 7,713,385	\$ 4,619,172	\$ 2,846,341	\$ 50,000	\$ 7,515,513
Contributions - research	-	1,148,543		1,148,543	-	803,569		803,569
Advertising revenues	439,000			439,000	606,417			606,417
Investment income	563,834	1,345,716		1,909,550	331,517	262,599		594,116
Conference	82,210			82,210	266,597			266,597
Other income	171,247			171,247	240,082			240,082
Membership dues	213,400			213,400	145,358			145,358
Merchandise sales	46,140			46,140	58,245			58,245
Releases from restrictions	2,522,822	(2,522,822)		-	5,466,771	(5,466,771)		-
Transfer to permanently restricted	-			-	(50,000)		50,000	-
Total revenue and support	8,902,723	2,803,752	17,000	11,723,475	11,684,159	(1,554,262)	100,000	10,229,897
Expense								-
Program services	6,349,086	-	-	6,349,086	8,694,916	-	-	8,694,916
Management and general	1,374,079	-	-	1,374,079	2,220,269	-	-	2,220,269
Fund raising	1,302,541	-	-	1,302,541	1,445,273	-	-	1,445,273
Total expense	9,025,706	-	-	9,025,706	12,360,458	-	-	12,360,458
Change in net assets	(122,983)	2,803,752	17,000	2,697,769	(676,299)	(1,554,262)	100,000	(2,130,561)
Net assets, beginning of year	4,704,144	7,054,982	2,304,632	14,063,758	5,380,443	8,609,244	2,204,632	16,194,319
Total net assets, end of year	\$ 4,581,161	\$ 9,858,734	\$ 2,321,632	\$ 16,761,527	\$ 4,704,144	\$ 7,054,982	\$ 2,304,632	\$ 14,063,758

See notes to the consolidated financial statements.

Pulmonary Hypertension Association, Inc. and Affiliate

Consolidated Statements of Functional Expenses Year Ended December 31, 2017

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 1,454,478	\$ 573,512	\$ 367,717	\$ 2,395,707
Professional fees	2,063,927	117,235	123,649	2,304,811
Research grants and expenses	320,569	-	-	320,569
Special events	260,980	-	517,370	778,350
Employee related expenses	294,623	150,860	82,817	528,300
Copying and printing	394,971	5,380	21,730	422,081
Conference meals, lodging and travel	295,854	51,654	15,640	363,148
Office rent	187,128	100,789	72,420	360,337
Return of unspent donor-restricted funds	348,544	-	-	348,544
Travel	128,212	33,290	17,843	179,345
Miscellaneous	145,691	5,502	25,562	176,755
Investment, bank, and credit card fees	46,251	114,101	59	160,411
Advertising and marketing	151,840	-	3,590	155,430
Audio-Visual	100,076	21,727	1,500	123,303
Postage	58,131	13,643	20,276	92,050
Information technology	27,845	43,676	5,095	76,616
Depreciation	-	53,532	-	53,532
Lobbying	46,956	-	-	46,956
Insurance	-	44,807	400	45,207
Dues	14,531	5,810	7,283	27,624
Supplies	2,916	1,178	14,100	18,194
Telephone	3,929	10,447	2,851	17,227
Training	1,189	10,190	1,639	13,018
Repairs and maintenance	445	11,112	50	11,607
Equipment	-	5,634	950	6,584
	\$ 6,349,086	\$ 1,374,079	\$ 1,302,541	\$ 9,025,706

See notes to the consolidated financial statements.

Pulmonary Hypertension Association, Inc. and Affiliate

Consolidated Statements of Functional Expenses Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,838,670	\$ 1,248,435	\$ 486,762	\$ 3,573,867
Professional fees	2,474,468	180,937	119,323	2,774,728
Conference meals, lodging and travel	1,155,917	51,965	1,367	1,209,249
Research grants and expenses	1,085,700	-	-	1,085,700
Special events	359,388	-	486,944	846,332
Employee related expenses	345,511	240,435	91,469	677,415
Copying and printing	377,816	4,457	32,381	414,654
Office rent	240,471	95,166	65,554	401,191
Travel	220,829	51,565	50,827	323,221
Investment, bank and credit card fees	32,000	107,440	69,561	209,001
Miscellaneous	134,841	30,675	1,258	166,774
Advertising and marketing	143,051	-	2,518	145,569
Postage	97,369	15,582	20,277	133,228
Information technology	49,534	41,495	1,804	92,833
Taxes	62,480	-	-	62,480
Depreciation	-	54,942	-	54,942
Lobbying	47,555	-	-	47,555
Insurance	-	33,815	-	33,815
Supplies	12,979	13,777	4,125	30,881
Telephone	9,693	13,340	7,619	30,652
Training	-	17,453	-	17,453
Equipment	2,417	7,449	2,314	12,180
Dues	3,123	4,722	1,170	9,015
Repairs and maintenance	1,104	6,619	-	7,723
	\$ 8,694,916	\$ 2,220,269	\$ 1,445,273	\$ 12,360,458

See notes to the consolidated financial statements.

Pulmonary Hypertension Association, Inc. and Affiliate

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 2,697,769	\$ (2,130,561)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	53,532	54,942
Net gain on investments	(1,696,233)	(383,327)
Changes in assets and liabilities:		
Contributions receivable	(1,527,473)	2,514,644
Other receivables	12,500	34,687
Prepaid expenses and other assets	(599)	7,024
Accounts payable	25,923	88,308
Accrued expenses	134,256	219,331
Deferred revenue	93,616	232,500
Deferred rent	(26,868)	(22,572)
Grants payable	(321,250)	570,000
Total adjustments	(3,252,596)	3,315,537
Net cash (used in) provided by operating activities	(554,827)	1,184,976
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(31,175)
Proceeds from the sale of investments	2,496,703	945,621
Purchases of investments	(2,607,561)	(1,294,783)
Net cash used in investing activities	(110,858)	(380,337)
Net (decrease) increase in cash and cash equivalents	(665,685)	804,639
Cash and cash equivalents, beginning of year	3,104,830	2,300,191
Cash and cash equivalents, end of year	\$ 2,439,145	\$ 3,104,830
Supplemental Disclosure of Cash Flow Information		
Donated Securities	\$ 26,085	\$ 10,817

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: 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.

Pulmonary Hypertension Care Centers (PHCC), an affiliate of 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 PHCC are consolidated in the accompanying consolidated financial statements and are collectively referred to as the Association.

Principles of consolidation: The consolidated financial statements include the accounts of PHA and PHCC (collectively, the Association). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income tax status: PHA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(1). PHA is subject to Federal and state income tax on unrelated business income (UBI). Certain activities conducted by PHA are considered to be taxable UBI. PHCC is exempt from the payment of income tax on its exempt activities under Section 501(c)(3) of the Code and is classified as other than a private foundation under Section 509(a)(3).

Basis of accounting: The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of the consolidated 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 and disclosures. Accordingly, actual results could differ from those estimates.

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.

Contributions receivable: As of December 31, 2017 and 2016, \$352,000 and \$440,000, respectively, of the total contributions receivable balance is due in annual installments of \$88,000 through 2021. The remainder of the contributions receivable balance is due within one year, and all amounts are considered fully collectible. Consequently, no provision for uncollectible promises has been made. A discount to present value has not been recorded as the amount is immaterial.

Conditional promises to give: During the year ended December 31, 2017, PHCC received a conditional promise to give totaling \$312,500. The gift would represent second year funding and is contingent upon satisfactorily completing the first year of the specified program. Conditional promises to give are not recorded as contributions until all conditions have been met.

Membership dues revenue: Membership dues revenue consists primarily of contributions. Thus, the revenue is recognized in the period received.

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: Contributions are recognized when unconditionally promised to, or received by, the Association. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the time restriction expires or when the purpose restriction is met. Temporarily restricted contributions whose restrictions are released within the same period are recorded as unrestricted contributions.

Investments: Investments are stated at their fair values in the statements of financial position.

Property and equipment: Equipment and leasehold improvements are stated at cost except for donated equipment which is recorded at fair value at the date of gift. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis.

Deferred revenue: Deferred revenue consists of advertising revenue received in advance of the period in which it is to be earned.

Net assets: For financial statement purposes, net assets consist of the following:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Association has been donor restricted by specified time or purpose limitations. See Note E for details regarding temporarily restricted net assets.

Permanently restricted: Permanently restricted net assets are to be maintained in perpetuity by the Association. See Note E for details regarding permanently restricted net assets.

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.

Subsequent events: Subsequent events have been evaluated through September 6, 2018, which is the date the consolidated financial statements were available to be issued.

B. RISKS AND CONCENTRATIONS

Credit risk: The Association maintains its cash at a financial institution which at times may exceed the federally insured limits per the U.S. federal government. The uninsured portions of cash are backed solely by the assets of the underlying financial institution. Therefore, the failure of an underlying institution could result in financial loss to the Association.

Market value risk: The Association invests funds in various equity and fixed income securities. Such investments are exposed to market and credit risks, such as fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

B. RISKS AND CONCENTRATIONS - CONTINUED

Revenues concentration: Approximately 65% of the Association's total revenues were provided by five donors during the year ended December 31, 2017. Contribution revenues from these five donors represents approximately 64% of the Association's revenues for the year ended December 31, 2016. As a result, declines in these contributions could have a significant impact on the Association's financial position.

C. INVESTMENTS

In accordance with accounting principles generally accepted in the United States of America, the Association uses the following prioritized input levels to measure fair values of investments recorded at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

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.

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

C. INVESTMENTS - CONTINUED

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

	2017			
	Total	Level 1	Level 2	Level 3
Common stock	\$ 7,558,345	\$ 7,558,345	\$ -	\$ -
Corporate and government bonds	2,373,367		2,373,367	
Mutual funds	1,020,541	1,020,541		
	10,952,253	\$ 8,578,886	\$ 2,373,367	\$ -
Money market funds*	3,214,859			
	\$ 14,167,112			
	2016			
	Total	Level 1	Level 2	Level 3
Common stock	\$ 6,019,179	\$ 6,019,179	\$ -	\$ -
Corporate and government bonds	2,912,713	-	2,912,713	-
Mutual funds	1,742,255	1,742,255	-	-
	10,674,147	\$ 7,761,434	\$ 2,912,713	\$ -
Money market funds*	1,685,874			
	\$ 12,360,021			

*Money market funds and certificates of deposit included in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

The Association's investments in corporate and government bonds are calculated by the investment manager's pricing service based on the values of fixed income securities with similar characteristics.

Net investment income consists of the following for the years ended December 31,:

	2017	2016
Gain on investments	\$ 1,696,233	\$ 383,327
Interest and dividend income	213,317	210,789
Gross investment income	1,909,550	594,116
Less, management fees	(104,531)	(104,472)
Net investment income	\$ 1,805,019	\$ 489,644

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

D. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$5,000 are recorded at cost. Depreciation of property and equipment is recorded over the estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the lesser of the remaining lease term or the estimated useful lives of the improvements.

Fixed assets consisted of the following at December 31,:

	2017	2016
Equipment	\$ 276,122	\$ 434,584
Leasehold improvements	34,835	42,649
	<u>310,957</u>	<u>477,233</u>
Less: accumulated depreciation	<u>(215,498)</u>	<u>(328,242)</u>
Total	<u>\$ 95,459</u>	<u>\$ 148,991</u>

E. 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.

Interpretation of Relevant Law

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 endowment 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, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified within various temporarily restricted funds 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 accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Association and the donor-restricted endowment fund; (3) general economic conditions (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation of investments; (6) other resources of the Association; and (7) investment policies of the Association.

In addition, the Association will follow the other UPMIFA rules for managing and investing endowment funds, including but not limited to the following additional factors: (1) the expected tax consequences, if any, of investment decisions or strategies; (2) the role that each investment or course of action plays within the overall investment portfolio of the fund; (3) the needs of the institution and the fund to make the distributions and to preserve capital; and (4) an asset's special relationship or special value, if any, to the charitable purposes of the Association.

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

E. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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. In 2015, a separate permanently restricted fund for the Jeanine Hart – California Scholarship fund was established.

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.

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.

Beginning with the 2017 financial statements, the balance in the Barst Pediatric Fund is presented separately from the Research Fund's balance. Thus, the 2016 balances have been reclassified to provide comparability.

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

E. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – CONTINUED

As of December 31, 2017, balances in the Association's restricted funds, by net asset class, are as follows:

Fund	Permanently Restricted	Temporarily Restricted	Total
Research Fund	\$ -	\$ 2,418,112	\$ 2,418,112
Barst Pediatric Research Fund	-	2,175,889	2,175,889
PHCC	-	326,544	326,544
Rino Aldrighetti Leadership Award	-	20,385	20,385
Jeanine Hart - CA Scholarship	90,000	14,163	104,163
Joshua Griffis Scholarship Fund	-	3,030	3,030
J. Hendry Scholarship Fund	-	21,783	21,783
Dukart Fund	-	55,766	55,766
Scholarships	-	128,181	128,181
Mason Hoffman Fund	-	74,745	74,745
B. Smith Endowment	231,632	33,486	265,118
Oracle Endowment	1,000,000	371,248	1,371,248
United Therapeutics Endowment	1,000,000	747,338	1,747,338
Time restricted	-	3,468,064	3,468,064
	\$ 2,321,632	\$ 9,858,734	\$ 12,180,366

As of December 31, 2016, balances in the Association's restricted funds, by net asset class, are as follows:

Fund	Permanently Restricted	Temporarily Restricted	Total
Research Fund	\$ -	\$ 1,515,638	\$ 1,515,638
Barst Pediatric Fund	-	2,157,195	2,157,195
PHCC	-	41,601	41,601
Rino Aldrighetti Leadership Award	-	17,380	17,380
Jeanine Hart - CA Scholarship	90,000	468	90,468
Joshua Griffis Scholarship Fund	-	1,064	1,064
J. Hendry Scholarship Fund	-	18,926	18,926
Dukart Fund	-	47,325	47,325
Scholarships	-	115,531	115,531
Mason Hoffman Fund	-	64,967	64,967
B. Smith Endowment	214,632	286	214,918
Oracle Endowment	1,000,000	200,759	1,200,759
United Therapeutics Endowment	1,000,000	589,248	1,589,248
Time restricted	-	2,284,594	2,284,594
	\$ 2,304,632	\$ 7,054,982	\$ 9,359,614

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

E. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS - CONTINUED

Changes in the permanently restricted component of endowment net assets consisted of the following for the years ended December 31, 2016 and 2017:

	Jeanine Hart CA Scholarship	B. Smith Endowment	Oracle Endowment	United Therapeutics Endowment	Total
Balance, December 31, 2015	\$ 90,000	\$ 114,632	\$ 1,000,000	\$ 1,000,000	\$ 2,204,632
2016 investment income	3,668	62,397	62,397	134,137	262,599
2016 endowments	-	100,000	-	-	100,000
Transfer to temporarily restricted net assets	<u>(3,668)</u>	<u>(62,397)</u>	<u>(62,397)</u>	<u>(134,137)</u>	<u>(262,599)</u>
Balance, December 31, 2016	90,000	214,632	1,000,000	1,000,000	2,304,632
2017 investment income	13,158	31,380	146,204	146,204	336,946
2017 endowments	-	17,000	-	-	17,000
Transfer to temporarily restricted net assets	<u>(13,158)</u>	<u>(31,380)</u>	<u>(146,204)</u>	<u>(146,204)</u>	<u>(336,946)</u>
Balance, December 31, 2017	<u>\$ 90,000</u>	<u>\$ 231,632</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,321,632</u>

F. OPERATING LEASE

Office space: The Association has an operating lease for office space in Silver Spring, MD that expires in May 1, 2020. The lease contains certain incentives, which are reported in deferred rent in the consolidated statement of financial position and are amortized on a basis to achieve straight-line rent expense over the life of the lease. Total rent expense under the lease for the years ended December 31, 2017 and 2016 was \$360,337 and \$401,191, respectively.

Total future minimum payments under the operating lease are as follows:

For the Year Ending December 31,

2018	\$ 336,252
2019	346,318
2020	<u>145,708</u>
Total	<u>\$ 828,278</u>

G. GRANTS PAYABLE

The Association has made the following unconditional promises to give for research grants as of December 31, 2017 and 2016:

	2017	2016
Payable in less than one year	\$ 578,750	\$ 501,250
Payable in one to five years	<u>535,947</u>	<u>934,697</u>
Total	<u>\$ 1,114,697</u>	<u>\$ 1,435,947</u>

Pulmonary Hypertension Association, Inc. and Affiliate

Notes to the Consolidated Financial Statements

H. 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 for the years ended December 31, 2017 and 2016:

	2017	2016
Revenue	\$ 1,428,091	\$ 1,477,522
Expenses	<u>(778,349)</u>	<u>(846,332)</u>
Total	<u>\$ 649,742</u>	<u>\$ 631,190</u>

I. DEFINED CONTRIBUTION PLAN

The Association maintains a defined contribution plan for employees who have met certain eligibility requirements. Employees may contribute a portion of their salary on a tax-deferred basis. Annual contributions also include a discretionary employer matching contribution of 3% of employees' salaries. Employer contributions to the plan were \$48,577 and \$59,096 for the years ended December 31, 2017 and 2016, respectively.

T A T E



T R Y O N

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report on the Supplementary Information

To the Board of Trustees
Pulmonary Hypertension Association, Inc. and Affiliate

We have audited the consolidated financial statements of the Pulmonary Hypertension Association, Inc. and Affiliate as of and for the year ended December 31, 2017, and our report thereon dated September 6, 2018 which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following pages is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Washington, DC
September 6, 2018

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Pulmonary Hypertension Association, Inc. and Affiliate

Consolidating Statement of Financial Position

December 31, 2017

	Pulmonary Hypertension Association	Pulmonary Hypertension Care Centers	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 2,426,021	\$ 13,124	\$ -	\$ 2,439,145
Other receivables	5,035	-	(1,222)	3,813
Contributions receivable	2,015,407	340,000	-	2,355,407
Prepaid expenses and other assets	127,031	1,179	-	128,210
Investments	14,167,112	-	-	14,167,112
Property and equipment, net	95,459	-	-	95,459
Due from affiliate	-	41,601	(41,601)	-
Total assets	\$ 18,836,065	\$ 395,904	\$ (42,823)	\$ 19,189,146
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 349,708	\$ 44,791	\$ (1,222)	\$ 393,277
Accrued expenses	429,458	4,294	-	433,752
Grants payable	1,114,697	-	-	1,114,697
Deferred revenue	381,616	-	-	381,616
Deferred rent	104,277	-	-	104,277
Due to affiliate	41,601	-	(41,601)	-
Total liabilities	2,421,357	49,085	(42,823)	2,427,619
Net assets				
Unrestricted net assets	4,560,886	20,275	-	4,581,161
Temporarily restricted	9,532,190	326,544	-	9,858,734
Permanently restricted	2,321,632	-	-	2,321,632
Total net assets	16,414,708	346,819	-	16,761,527
Total liabilities and assets	\$ 18,836,065	\$ 395,904	\$ (42,823)	\$ 19,189,146

Pulmonary Hypertension Association, Inc. and Affiliate

Consolidating Statement of Activities Year Ended December 31, 2017

	Pulmonary Hypertension Association				Pulmonary Hypertension Care Centers				Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
Revenue and support										
Contributions & grants	\$ 4,614,667	\$ 2,478,214	\$ 17,000	\$ 7,109,881	\$ 291,004	354,101	\$ -	\$ 645,105	\$ (41,601)	\$ 7,713,385
Contributions - research	-	1,148,543		1,148,543	-			-		1,148,543
Advertising revenues	439,000			439,000	-			-		439,000
Investment income	563,834	1,345,716		1,909,550	-			-		1,909,550
Conference	82,210			82,210	-			-		82,210
Other income	2,897			2,897	168,350			168,350		171,247
Membership dues	213,400			213,400	-			-		213,400
Merchandise sales	46,140			46,140	-			-		46,140
Releases from restrictions	2,495,265	(2,495,265)		-	27,557	(27,557)		-		-
Total revenue and support	8,457,413	2,477,208	17,000	10,951,621	486,911	326,544	-	813,455	(41,601)	11,723,475
Expense										
Program services	6,026,801			6,026,801	363,886			363,886	(41,601)	6,349,086
Management and general	1,278,999			1,278,999	95,080			95,080		1,374,079
Fund raising	1,267,314			1,267,314	35,227			35,227		1,302,541
Total expense	8,573,114	-	-	8,573,114	494,193	-	-	494,193	(41,601)	9,025,706
Change in net assets	(115,701)	2,477,208	17,000	2,378,507	(7,282)	326,544	-	319,262	-	2,697,769
Net assets, beginning of year	4,676,587	7,054,982	2,304,632	14,036,201	27,557	-	-	27,557		14,063,758
Total net assets, end of year	\$ 4,560,886	\$ 9,532,190	\$ 2,321,632	\$ 16,414,708	\$ 20,275	\$ 326,544	\$ -	\$ 346,819	\$ -	\$ 16,761,527