

# **Pulmonary Hypertension Association, Inc. and Affiliate**

Consolidated Financial Report  
December 31, 2019

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
Pulmonary Hypertension Association, Inc. and Affiliate

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Pulmonary Hypertension Association, Inc. and Affiliate (the Association), which comprise the consolidated statements of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year 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 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 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of the Association as of and for the year ended December 31, 2018, were audited by other auditors whose report dated September 11, 2019, expressed an unmodified opinion on those financial statements.

*RSM US LLP*

Washington, D.C.  
November 4, 2020

**Pulmonary Hypertension Association, Inc. and Affiliate**

**Consolidated Statements of Financial Position  
December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,783,499	\$ 1,554,216
Other receivables	-	500
Contributions receivable	1,139,871	3,017,186
Prepaid expenses and other assets	200,623	90,812
Investments	15,041,568	12,906,743
Property and equipment, net	36,648	43,328
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<b>Total assets</b>	<b>\$ 20,202,209</b>	<b>\$ 17,612,785</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 202,517	\$ 521,511
Accrued expenses	80,015	93,711
Grants payable	493,750	705,000
Deferred revenue and refundable advances	716,000	334,400
Deferred rent	20,880	67,612
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<b>Total liabilities</b>	<b>1,513,162</b>	<b>1,722,234</b>
Net assets:		
Without donor restrictions	7,248,501	4,711,062
With donor restrictions	11,440,546	11,179,489
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<b>Total net assets</b>	<b>18,689,047</b>	<b>15,890,551</b>
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<b>Total liabilities and assets</b>	<b>\$ 20,202,209</b>	<b>\$ 17,612,785</b>

See notes to consolidated financial statements.

**Pulmonary Hypertension Association, Inc. and Affiliate**

**Consolidated Statements of Activities  
Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions and grants	\$ 4,068,256	\$ 2,427,237	\$ 6,495,493	\$ 3,111,745	\$ 2,635,972	\$ 5,747,717
Investment income (loss)	1,007,465	507,639	1,515,104	(166,825)	(92,394)	(259,219)
Contributions - research	-	558,840	558,840	-	615,993	615,993
Other income	440,500	-	440,500	254,298	-	254,298
Advertising revenues	308,783	-	308,783	579,331	-	579,331
Membership dues	275,405	-	275,405	212,577	-	212,577
Registration income	106,125	-	106,125	309,827	-	309,827
Merchandise sales	13,860	-	13,860	43,232	-	43,232
Releases from restrictions	3,232,659	(3,232,659)	-	4,160,448	(4,160,448)	-
<b>Total revenue and support</b>	<b>9,453,053</b>	<b>261,057</b>	<b>9,714,110</b>	<b>8,504,633</b>	<b>(1,000,877)</b>	<b>7,503,756</b>
Expense:						
Program services						
Patient advocacy and research	4,220,696	-	4,220,696	5,671,405	-	5,671,405
Accreditation and registry	542,458	-	542,458	460,561	-	460,561
<b>Total program services</b>	<b>4,763,154</b>	<b>-</b>	<b>4,763,154</b>	<b>6,131,966</b>	<b>-</b>	<b>6,131,966</b>
Supporting services:						
Management and general	1,339,103	-	1,339,103	1,201,018	-	1,201,018
Fund raising	813,357	-	813,357	1,041,748	-	1,041,748
<b>Total supporting services</b>	<b>2,152,460</b>	<b>-</b>	<b>2,152,460</b>	<b>2,242,766</b>	<b>-</b>	<b>2,242,766</b>
<b>Total expense</b>	<b>6,915,614</b>	<b>-</b>	<b>6,915,614</b>	<b>8,374,732</b>	<b>-</b>	<b>8,374,732</b>
<b>Change in net assets</b>	<b>2,537,439</b>	<b>261,057</b>	<b>2,798,496</b>	<b>129,901</b>	<b>(1,000,877)</b>	<b>(870,976)</b>
Net assets:						
Beginning	4,711,062	11,179,489	15,890,551	4,581,161	12,180,366	16,761,527
Ending	\$ 7,248,501	\$ 11,440,546	\$ 18,689,047	\$ 4,711,062	\$ 11,179,489	\$ 15,890,551

See notes to consolidated financial statements.

**The Pulmonary Hypertension Association**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019**

	<b>Patient Advocacy and Research</b>	<b>Accreditation and Registry</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 1,221,778	\$ 117,832	\$ 522,523	\$ 283,017	\$ 2,145,150
Professional fees	1,254,114	354,555	198,513	36,596	1,843,778
Employee related expenses	209,408	27,586	127,694	63,624	428,312
Grants and expenses	403,658	-	-	-	403,658
Office rent	206,939	-	78,212	66,534	351,685
Conference, meals, and lodging	264,374	-	55,226	537	320,137
Special events direct expense	-	-	-	232,091	232,091
Travel	79,767	31,575	25,009	67,159	203,510
Copying and printing	109,819	1,089	2,874	30,043	143,825
Accreditation fees	125,345	-	-	-	125,345
Audio-Visual	105,550	-	19,308	-	124,858
Information technology	25,339	-	82,645	1,509	109,493
Advertising and marketing	85,822	-	-	121	85,943
Postage	36,202	997	9,726	20,471	67,396
Bank and credit card fees	-	-	52,183	-	52,183
Lobbying	47,975	-	-	-	47,975
Depreciation	-	-	43,328	-	43,328
Insurance	-	8,342	33,279	-	41,621
Miscellaneous	900	-	22,137	5,802	28,839
Tax expense	26,684	-	-	-	26,684
Telephone	2,870	430	21,687	532	25,519
Supplies	5,239	52	14,856	3,573	23,720
Training	5,437	-	11,652	150	17,239
Dues	3,476	-	5,341	1,500	10,317
Equipment	-	-	9,459	98	9,557
Repairs and maintenance	-	-	3,451	-	3,451
	<b>\$ 4,220,696</b>	<b>\$ 542,458</b>	<b>\$ 1,339,103</b>	<b>\$ 813,357</b>	<b>\$ 6,915,614</b>

See notes to consolidated financial statements.

## The Pulmonary Hypertension Association

### Consolidated Statement of Functional Expenses Year Ended December 31, 2018

	Patient Advocacy and Research	Accreditation and Registry	Management and General	Fund Raising	Total
Professional fees	\$ 1,880,906	\$ 247,851	\$ 74,342	\$ 73,487	\$ 2,276,586
Salaries	1,265,987	158,464	456,569	324,209	2,205,229
Conference, meals, and lodging	698,852	1,911	34,498	1,548	736,809
Copying and printing	460,478	1,619	3,377	30,741	496,215
Employee related expenses	220,085	26,252	123,983	61,732	432,052
Special events direct expense	17,384	-	-	396,455	413,839
Office rent	187,949	9,297	96,463	60,081	353,790
Grants and expenses	304,831	-	235	-	305,066
Audio-Visual	190,649	116	14,676	-	205,441
Travel	107,046	12,026	37,267	45,318	201,657
Information technology	17,514	-	63,353	15,022	95,889
Advertising and marketing	95,561	-	-	-	95,561
Postage	59,419	812	12,177	23,082	95,490
Accreditation fees	88,594	-	-	-	88,594
Bank and credit card fees	-	-	52,906	1,709	54,615
Depreciation	-	-	52,131	-	52,131
Insurance	398	-	50,353	-	50,751
Miscellaneous	4,152	500	37,431	5,679	47,762
Lobbying	47,391	-	-	-	47,391
Telephone	4,369	1,239	30,706	259	36,573
Tax expense	5,300	-	16,997	-	22,297
Supplies	5,576	435	13,419	1,556	20,986
Training	3,633	-	9,108	745	13,486
Dues	4,581	-	5,556	13	10,150
Equipment	750	39	6,731	112	7,632
Repairs and maintenance	-	-	5,427	-	5,427
Bad debt	-	-	3,313	-	3,313
	<u>\$ 5,671,405</u>	<u>\$ 460,561</u>	<u>\$ 1,201,018</u>	<u>\$ 1,041,748</u>	<u>\$ 8,374,732</u>

See notes to consolidated financial statements.



**Pulmonary Hypertension Association, Inc. and Affiliate**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,798,496	\$ (870,976)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,328	52,131
Net (gain) loss on investments	(1,231,447)	494,631
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	1,877,315	(661,779)
Other receivables	500	3,313
Prepaid expenses and other assets	(109,811)	37,398
Increase (decrease) in:		
Accounts payable	(318,994)	128,234
Accrued expenses	(13,696)	(340,041)
Deferred revenue and refundable advances	381,600	(47,216)
Deferred rent	(46,732)	(36,665)
Grants payable	(211,250)	(409,697)
<b>Net cash provided by (used in) operating activities</b>	<b>3,169,309</b>	<b>(1,650,667)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(36,648)	-
Proceeds from the sale of investments	31,294,853	1,055,098
Purchases of investments	(32,198,231)	(289,360)
<b>Net cash (used in) provided by investing activities</b>	<b>(940,026)</b>	<b>765,738</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,229,283</b>	<b>(884,929)</b>
Cash and cash equivalents:		
Beginning	1,554,216	2,439,145
Ending	\$ 3,783,499	\$ 1,554,216
Supplemental disclosure of cash flow information:		
Donated securities	\$ -	\$ 20,691

See notes to consolidated financial statements.

## Pulmonary Hypertension Association, Inc. and Affiliate

### Notes to the Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of Activities:** 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.

A summary of significant accounting policies follows:

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

**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.

**Basis of presentation:** The Association follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Association is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

*Without donor restrictions:* Net assets without donor restrictions 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.

*With donor restrictions:* Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. See Note 5 for details regarding net assets with donor restrictions.

**Use of estimates:** Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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, such as advertising, 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).

## Pulmonary Hypertension Association, Inc. and Affiliate

### Notes to the Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**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.

**Investments:** Investments are reported at fair value based on quoted market prices or, in the case of investments without quoted prices, at estimated values provided by the investment managers based on quoted market prices. Management reviews and evaluates the values provided and agrees with the valuation methods and assumptions used in determining fair value of the investments without quoted prices. Changes in fair value are reported in the consolidated statements of activities.

**Financial 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.

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.

**Contributions receivable:** As of December 31, 2019 and 2018, \$176,000 and \$264,000, 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.

**Property and equipment:** Acquisitions of property and equipment greater than \$5,000 are recorded at cost except for donated equipment, which is recorded at fair value at the date of gift. 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.

**Contributions:** In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Association adopted the provisions of the new standard regarding contributions received effective for the year ended December 31, 2019, using the modified prospective method. As a result of the adoption of the ASU, the Association has presented \$480,000 of contributions as a component of deferred revenue as of December 31, 2019. As permitted by the ASU, the Association will adopt the provisions of the new standard related to contributions made during the year ended December 31, 2020.

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

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Unconditional contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by donors is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. Contributions with donor restrictions that are received and expended in the same period are classified within net assets without donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met. As of December 31, 2019 and 2018, \$480,000 and \$0, respectively, of conditional promises to give were included within deferred revenue.

**Deferred revenue and refundable advances:** Event sponsorships and advertising revenue received in advance of the period in which they are earned are presented as deferred revenue and refundable advances.

**Revenues concentration:** Approximately 54% of the Association's total revenues were provided by five donors during the year ended December 31, 2019. Contribution revenues from these five donors represent approximately 64% of the Association's revenues for the year ended December 31, 2018. As a result, declines in these contributions could have a significant impact on the Association's financial position.

**Functional allocation of expenses:** The costs of providing various programs and administrative activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits are allocated based on estimates of the percentage of the employee time spent on relevant activities. Overhead costs, which include occupancy, technology, maintenance, and office costs are allocated based on direct salaries charged to each function.

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Association's year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective with cumulative effect transition method. The Association will be required to implement this standard for annual reporting periods for the fiscal year beginning January 1, 2020. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

## Pulmonary Hypertension Association, Inc. and Affiliate

### Notes to the Consolidated Financial Statements

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#### Note 2. Liquidity

The Association strives to maintain sufficient cash to cover all operating expenditures during its annual business cycle. Cash in excess of amounts needed for operating activities is invested and available to convert back to cash if needed. While the Association's investments may be quickly converted to cash to cover operating expenditures, the Association does so infrequently.

The following table reflects the Association's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures due to donor restrictions (see Note 5).

	2019	2018
Cash and cash equivalents	\$ 3,783,499	\$ 1,554,216
Other receivables	-	500
Contributions receivable	1,139,871	3,017,186
Investments	15,041,568	12,906,743
Financial assets available	19,964,938	17,478,645
Less those unavailable for general expenditures within one year due to donor-imposed restrictions	(11,440,546)	(11,179,489)
Less, refundable advances received from donors	(480,000)	-
Financial assets available for general expenditures within one year	\$ 8,044,392	\$ 6,299,156

#### Note 3. Investments

In accordance with GAAP, 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

#### Note 3. 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:

	2019			
	Total	Level 1	Level 2	Level 3
Equity mutual & exchange traded funds	\$ 5,965,825	\$ 5,965,825	\$ -	\$ -
Certificates of deposit	2,973,538	-	2,973,538	-
Fixed income mutual & exchange traded funds	2,924,710	2,924,710	-	-
Alternative mutual funds	657,394	657,394	-	-
U.S. Treasury Securities	403,172	-	403,172	-
Asset backed securities	391,822	-	391,822	-
Corporate bonds	255,178	-	255,178	-
	<u>13,571,639</u>	<u>\$ 9,547,929</u>	<u>\$ 4,023,710</u>	<u>\$ -</u>
Money market funds*	1,469,929			
	<u>\$ 15,041,568</u>			
	2018			
	Total	Level 1	Level 2	Level 3
Equity mutual & exchange traded funds	\$ 5,143,406	\$ 5,143,406	\$ -	\$ -
Certificates of deposit	2,777,841	-	2,777,841	-
Fixed income mutual & exchange traded funds	1,260,800	1,260,800	-	-
Alternative mutual funds	1,268,364	1,268,364	-	-
U.S. Treasury Securities	821,827	-	821,827	-
Asset backed securities	344,650	-	344,650	-
Corporate bonds	710,717	-	710,717	-
	<u>12,327,605</u>	<u>\$ 7,672,570</u>	<u>\$ 4,655,035</u>	<u>\$ -</u>
Money market funds*	579,138			
	<u>\$ 12,906,743</u>			

\* Money market funds 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 certificates of deposit and 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 (loss) consists of the following for the years ended December 31:

	2019	2018
Gain (loss) on investments	\$ 1,231,447	\$ (494,631)
Interest and dividend income	353,736	301,293
Gross investment income (loss)	<u>1,585,183</u>	<u>(193,338)</u>
Less, management fees	(70,079)	(65,881)
Net investment income (loss)	<u>\$ 1,515,104</u>	<u>\$ (259,219)</u>

## Pulmonary Hypertension Association, Inc. and Affiliate

### Notes to the Consolidated Financial Statements

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#### Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Equipment	\$ 275,023	\$ 275,023
Leasehold improvements	71,483	34,835
	<u>346,506</u>	<u>309,858</u>
Less: accumulated depreciation	(309,858)	(266,530)
	<u>\$ 36,648</u>	<u>\$ 43,328</u>

#### Note 5. Net Assets with Donor Restrictions

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 has determined that funds given in perpetuity require preservation of (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 determined to be given in perpetuity should be classified within various funds with donor restrictions 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

#### Note 5. Net Assets with Donor Restrictions (Continued)

**Net assets given in perpetuity:** The Association has received several contributions which must be invested in perpetuity.

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 fund in perpetuity for the Jeanine Hart – California Scholarship fund was established.

**Net assets with purpose or time restriction:** 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.

As of December 31, 2019, balances in the Association's restricted funds are as follows:

Fund	Contributions Given in Perpetuity	Restricted by Time or Specified Purpose	Total
Research Fund	\$ -	\$ 3,164,660	\$ 3,164,660
Barst Pediatric Research Fund	-	2,505,072	2,505,072
PHCC	-	-	-
Rino Aldrighetti Leadership Award	-	11,385	11,385
Jeanine Hart - CA Scholarship	90,000	17,761	107,761
Joshua Griffis Scholarship Fund	-	625	625
J. Hendry Scholarship Fund	-	20,286	20,286
Dukart Fund	-	62,650	62,650
Scholarships	-	18,931	18,931
Mason Hoffman Fund	-	79,725	79,725
B. Smith Endowment	231,632	40,330	271,962
Oracle Endowment	1,000,000	422,216	1,422,216
United Therapeutics Endowment	1,000,000	806,166	1,806,166
Time restricted	-	1,969,107	1,969,107
	<u>\$ 2,321,632</u>	<u>\$ 9,118,914</u>	<u>\$ 11,440,546</u>



**Pulmonary Hypertension Association, Inc. and Affiliate**

**Notes to the Consolidated Financial Statements**

**Note 5. Net Assets with Donor Restrictions (Continued)**

As of December 31, 2018, balances in the Association's restricted funds, by net asset class, are as follows:

Fund	Contributions Given in Perpetuity	Restricted by Time or Specified Purpose	Total
Research Fund	\$ -	\$ 2,637,103	\$ 2,637,103
Barst Pediatric Fund	-	2,324,676	2,324,676
PHCC	-	312,500	312,500
Rino Aldrighetti Leadership Award	-	10,385	10,385
Jeanine Hart - CA Scholarship	90,000	5,445	95,445
Joshua Griffis Scholarship Fund	-	625	625
J. Hendry Scholarship Fund	-	20,286	20,286
Dukart Fund	-	54,959	54,959
Scholarships	-	3,255	3,255
Mason Hoffman Fund	-	70,931	70,931
B. Smith Endowment	231,632	10,472	242,104
Oracle Endowment	1,000,000	275,179	1,275,179
United Therapeutics Endowment	1,000,000	642,936	1,642,936
Time restricted	-	2,489,105	2,489,105
	<u>\$ 2,321,632</u>	<u>\$ 8,857,857</u>	<u>\$ 11,179,489</u>

Changes in the components of endowment net assets consisted of the following for the years ended December 31, 2019 and 2018:

	Jeanine Hart CA Scholarship	B. Smith Endowment	Oracle Endowment	United Therapeutics Endowment	Total
Balance, December 31, 2017	\$ 104,163	\$ 265,118	\$ 1,371,248	\$ 1,747,338	\$ 3,487,867
2018 investment loss	(1,973)	(4,784)	(33,569)	(35,028)	(75,354)
Appropriations	(6,745)	(18,230)	(62,500)	(69,374)	(156,849)
Balance, December 31, 2018	95,445	242,104	1,275,179	1,642,936	3,255,664
2019 investment income	12,316	29,858	209,537	218,642	470,353
Appropriations	-	-	(62,500)	(55,412)	(117,912)
Balance, December 31, 2019	<u>\$ 107,761</u>	<u>\$ 271,962</u>	<u>\$ 1,422,216</u>	<u>\$ 1,806,166</u>	<u>\$ 3,608,105</u>

During the year ended December 31, 2019, the Association received a \$1,677,173 contribution from the estate of James A. Ryan. Of this amount, 25% is to be spent over 10 years on programs in Kentucky. Thus, \$419,293 of this contribution has been recorded as time restricted net assets as of December 31, 2019.

## Pulmonary Hypertension Association, Inc. and Affiliate

### Notes to the Consolidated Financial Statements

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#### Note 6. Operating Lease

**Office space:** The Association has an operating lease for office space in Silver Spring, MD that expired in May 1, 2020. The lease contained certain incentives, which are reported in deferred rent in the consolidated statements 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, 2019 and 2018 was \$351,685 and \$353,790, respectively.

In August 2019, the Association signed a new operating lease for office space in Silver Spring Metro Plaza 1 that commenced on April 1, 2020 and expires in May 2031. In addition, the lease contains a rental abatement of fourteen months and a tenant improvement allowance.

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

Years ending December 31:		
2020	\$	145,708
2021		198,481
2022		247,463
2023		254,276
2024		285,165
Thereafter		2,025,741
	\$	<u>3,156,834</u>

#### Note 7. Grants Payable

The Association has made the following unconditional promises to give for research grants as of December 31, 2019 and 2018:

	2019	2018
Payable in less than one year	\$ 342,500	\$ 411,250
Payable in one to five years	151,250	293,750
	<u>\$ 493,750</u>	<u>\$ 705,000</u>

#### Note 8. Special Events

Revenue from special events is included in contributions on the statements 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, 2019 and 2018:

	2019	2018
Revenue	\$ 890,557	\$ 1,138,480
Expenses	(516,393)	(639,560)
Total	<u>\$ 374,164</u>	<u>\$ 498,920</u>

## **Pulmonary Hypertension Association, Inc. and Affiliate**

### **Notes to the Consolidated Financial Statements**

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#### **Note 9. 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 contribution of 3% of employees' salaries. Employer contributions to the plan were \$38,401 and \$56,985 for the years ended December 31, 2019 and 2018, respectively.

#### **Note 10. Subsequent Events**

Subsequent events have been evaluated through November 4, 2020, which is the date the consolidated financial statements were available to be issued.

**Coronavirus pandemic:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a Public Health Emergency of International Concern and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Association's operations, suppliers or vendors, and donor or customer base. The extent to which the coronavirus impacts the Association's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among other factors.



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

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, 2019, and our report thereon dated November 4, 2020, which expressed an unmodified opinion on those consolidated financial statements. See pages 1 and 2. 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, changes in net assets, and cash flows 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 supplementary information on pages 19 and 20 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
November 4, 2020

**Pulmonary Hypertension Association, Inc. and Affiliate**

**Consolidating Statement of Financial Position  
Year Ended December 31, 2019**

	Pulmonary Hypertension Association	Pulmonary Hypertension Care Centers	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 3,625,682	\$ 157,817	\$ -	\$ 3,783,499
Contributions receivable	1,069,837	70,034	-	1,139,871
Prepaid expenses and other assets	188,946	11,677	-	200,623
Investments	15,041,568	-	-	15,041,568
Property and equipment, net	36,648	-	-	36,648
<b>Total assets</b>	<b>\$ 19,962,681</b>	<b>\$ 239,528</b>	<b>\$ -</b>	<b>\$ 20,202,209</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 188,406	\$ 14,111	\$ -	\$ 202,517
Accrued expenses	46,392	33,623	-	80,015
Grants payable	493,750	-	-	493,750
Deferred revenue and refundable advances	716,000	-	-	716,000
Deferred rent	20,880	-	-	20,880
<b>Total liabilities</b>	<b>1,465,428</b>	<b>47,734</b>	<b>-</b>	<b>1,513,162</b>
Net assets:				
Without donor restrictions	7,056,707	191,794	-	7,248,501
With donor restrictions	11,440,546	-	-	11,440,546
<b>Total net assets</b>	<b>18,497,253</b>	<b>191,794</b>	<b>-</b>	<b>18,689,047</b>
<b>Total liabilities and assets</b>	<b>\$ 19,962,681</b>	<b>\$ 239,528</b>	<b>\$ -</b>	<b>\$ 20,202,209</b>

**Pulmonary Hypertension Association, Inc. and Affiliate**

**Consolidating Statement of Activities  
Year Ended December 31, 2019**

	Pulmonary Hypertension Association			Pulmonary Hypertension Care Centers			Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
<b>Revenue and support:</b>								
Contributions and grants	\$ 4,058,423	\$ 2,427,237	\$ 6,485,660	\$ 14,171	\$ -	\$ 14,171	\$ (4,338)	\$ 6,495,493
Investment income	1,007,465	507,639	1,515,104	-	-	-	-	1,515,104
Contributions - research	-	558,840	558,840	-	-	-	-	558,840
Other income	-	-	-	440,500	-	440,500	-	440,500
Advertising revenues	308,783	-	308,783	-	-	-	-	308,783
Membership dues	275,405	-	275,405	-	-	-	-	275,405
Registration income	106,125	-	106,125	-	-	-	-	106,125
Merchandise sales	13,860	-	13,860	-	-	-	-	13,860
Releases from restrictions	2,920,159	(2,920,159)	-	312,500	(312,500)	-	-	-
<b>Total revenue and support</b>	<b>8,690,220</b>	<b>573,557</b>	<b>9,263,777</b>	<b>767,171</b>	<b>(312,500)</b>	<b>454,671</b>	<b>(4,338)</b>	<b>9,714,110</b>
<b>Expense:</b>								
Program services								
Patient advocacy and research	4,225,034	-	4,225,034	-	-	-	(4,338)	4,220,696
Accreditation and registry	-	-	-	542,458	-	542,458	-	542,458
<b>Total program services</b>	<b>4,225,034</b>	<b>-</b>	<b>4,225,034</b>	<b>542,458</b>	<b>-</b>	<b>542,458</b>	<b>(4,338)</b>	<b>4,763,154</b>
Supporting services:								
Management and general	1,244,023	-	1,244,023	95,080	-	95,080	-	1,339,103
Fund raising	813,357	-	813,357	-	-	-	-	813,357
<b>Total supporting services</b>	<b>2,057,380</b>	<b>-</b>	<b>2,057,380</b>	<b>95,080</b>	<b>-</b>	<b>95,080</b>	<b>-</b>	<b>2,152,460</b>
<b>Total expense</b>	<b>6,282,414</b>	<b>-</b>	<b>6,282,414</b>	<b>637,538</b>	<b>-</b>	<b>637,538</b>	<b>(4,338)</b>	<b>6,915,614</b>
<b>Change in net assets</b>	<b>2,407,806</b>	<b>573,557</b>	<b>2,981,363</b>	<b>129,633</b>	<b>(312,500)</b>	<b>(182,867)</b>	<b>-</b>	<b>2,798,496</b>
Net assets:								
Beginning	4,648,901	10,866,989	15,515,890	62,161	312,500	374,661	-	15,890,551
Ending	\$ 7,056,707	\$ 11,440,546	\$ 18,497,253	\$ 191,794	\$ -	\$ 191,794	\$ -	\$ 18,689,047