

**PULMONARY HYPERTENSION
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



CERTIFIED PUBLIC
ACCOUNTANTS
AND BUSINESS ADVISORS

900 17TH STREET, NW
SUITE 800
WASHINGTON, DC 20006

202.331.9880 PHONE
202.331.9890 FAX

120 SOUTH RIVERSIDE PLAZA
SUITE 450
CHICAGO, IL 60606

312.648.8800 PHONE
312.648.8608 FAX

www.calibrecpa.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Pulmonary Hypertension Association, Inc.

We have audited the accompanying statements of financial position of the Pulmonary Hypertension Association, Inc. (the Association) as of December 31, 2003 and 2002 and the related statements of activities, of functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Association's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pulmonary Hypertension Association, Inc. as of December 31, 2003 and 2002 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Washington, DC
April 16, 2004

Pulmonary Hypertension Association, Inc.

Statements of Financial Position

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets		
Cash and cash equivalents	\$ 496,430	\$ 231,377
Contributions receivable	239,801	39,746
Interest receivable	4,632	4,175
Prepaid expenses	20,474	5,379
Total current assets	761,337	280,677
Investments - at fair value	1,311,849	1,201,189
Equipment and Leasehold improvements	78,637	95,771
Other assets	10,106	10,381
Total assets	\$ 2,161,929	\$ 1,588,018
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 32,425	\$ 64,277
Accrued payroll and payroll taxes	22,882	8,027
Deferred revenue	72,965	-
Grants payable - current portion	413,750	43,750
Total current liabilities	542,022	116,054
Grants payable - non current portion	222,500	197,801
Net assets		
Unrestricted		
Available for operations	388,617	376,439
Expended on equipment and leasehold improvements	78,637	95,771
Total unrestricted	467,254	472,210
Temporarily restricted	930,153	801,953
Total net assets	1,397,407	1,274,163
Total liabilities and net assets	\$ 2,161,929	\$ 1,588,018

See accompanying notes to financial statements.

Pulmonary Hypertension Association, Inc.

Statements of Activities

Years Ended December 31, 2003 and 2002

	2003			2002		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 959,016	\$ 19,317	\$ 978,333	\$ 654,757	\$ -	\$ 654,757
Contributions - research	-	356,172	356,172	-	298,253	298,253
In-kind donations	11,043	788	11,831	-	10,515	10,515
Conference revenue	-	-	-	356,193	-	356,193
Grants	20,834	220,815	241,649	20,822	50,000	70,822
Membership dues	149,575	-	149,575	152,296	-	152,296
Merchandise sales	20,277	-	20,277	19,751	-	19,751
Investment income	8,145	12,642	20,787	18,081	28,913	46,994
Other income	2,367	2,713	5,080	1,066	-	1,066
Releases from restrictions	484,247	(484,247)	-	552,050	(552,050)	-
Total support and revenue	<u>1,655,504</u>	<u>128,200</u>	<u>1,783,704</u>	<u>1,775,016</u>	<u>(164,369)</u>	<u>1,610,647</u>
Expenses						
Program services	1,458,863	-	1,458,863	1,223,048	-	1,223,048
Management and general	109,514	-	109,514	136,006	-	136,006
Fund raising	92,083	-	92,083	109,431	-	109,431
	<u>1,660,460</u>	<u>-</u>	<u>1,660,460</u>	<u>1,468,485</u>	<u>-</u>	<u>1,468,485</u>
Direct cost of special events	-	-	-	70,227	-	70,227
Total expenses	<u>1,660,460</u>	<u>-</u>	<u>1,660,460</u>	<u>1,538,712</u>	<u>-</u>	<u>1,538,712</u>
Change in net assets	(4,956)	128,200	123,244	236,304	(164,369)	71,935
Net assets						
Beginning of year	<u>472,210</u>	<u>801,953</u>	<u>1,274,163</u>	<u>235,906</u>	<u>966,322</u>	<u>1,202,228</u>
End of year	<u>\$ 467,254</u>	<u>\$ 930,153</u>	<u>\$1,397,407</u>	<u>\$ 472,210</u>	<u>\$ 801,953</u>	<u>\$1,274,163</u>

See accompanying notes to financial statements.

Pulmonary Hypertension Association, Inc.

Statements of Functional Expenses

Years Ended December 31, 2003 and 2002

	2003				2002			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Salary	\$ 334,779	\$ 70,547	\$ 35,240	\$ 440,566	\$ 264,974	\$ 59,806	\$ 34,823	\$ 359,603
Employee related expenses	45,943	10,831	5,790	62,564	43,347	10,208	4,998	58,553
	<u>380,722</u>	<u>81,378</u>	<u>41,030</u>	<u>503,130</u>	<u>308,321</u>	<u>70,014</u>	<u>39,821</u>	<u>418,156</u>
Conference meals, lodging and travel	-	-	-	-	209,338	-	-	209,338
Copying and printing	323,291	2,195	11,678	337,164	207,704	1,023	5,134	213,861
Credit card fees	-	3,817	-	3,817	-	6,333	-	6,333
Depreciation	32,261	6,799	3,390	42,450	21,532	4,533	2,267	28,332
Dues	8,449	973	3,132	12,554	1,664	1,351	1,374	4,389
Equipment	9,297	3,288	1,229	13,814	10,570	6,583	2,038	19,191
Insurance	12,068	-	-	12,068	235	607	25	867
Lodging	855	406	90	1,351	-	-	-	-
Lobbying	32,337	-	-	32,337	34,139	-	-	34,139
Miscellaneous	387	-	-	387	300	2,857	-	3,157
Office rent	21,501	4,471	2,311	28,283	19,565	701	2,059	22,325
Payroll service	-	1,126	-	1,126	-	1,292	-	1,292
Postage	25,099	1,313	10,003	36,415	28,997	2,563	1,989	33,549
Professional fees	20,904	(1,312)	472	20,064	20,391	29,976	18,832	69,199
Public Relations	35,218	-	-	35,218	-	-	-	-
Research grants and expenses	438,449	-	-	438,449	240,797	-	-	240,797
Scholarships	-	-	-	-	18,974	-	-	18,974
Supplies	16,124	2,123	11,200	29,447	18,229	2,148	29,262	49,639
Telephone	8,594	1,551	624	10,769	11,749	1,654	802	14,205
Training	1,380	278	4,253	5,911	1,103	611	295	2,009
Travel	90,530	1,108	2,671	94,309	68,580	3,760	5,533	77,873
Web site fees	1,397	-	-	1,397	860	-	-	860
	<u>\$1,458,863</u>	<u>\$ 109,514</u>	<u>\$ 92,083</u>	<u>\$1,660,460</u>	<u>\$1,223,048</u>	<u>\$ 136,006</u>	<u>\$ 109,431</u>	<u>\$1,468,485</u>
Totals								

See accompanying notes to financial statements.

Pulmonary Hypertension Association, Inc.

Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Changes in net assets	\$ 123,244	\$ 71,935
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	42,450	28,332
Donation of stock	(6,133)	(5,004)
Realized and unrealized loss on investments	29,073	193
Decrease (increase) in operating assets		
Contributions receivable	(200,055)	(34,746)
Interest receivable	(457)	(4,175)
Prepaid expenses	(15,095)	2,860
Other assets	275	(10,381)
Increase (decrease) in operating liabilities		
Accounts payable	(31,852)	54,267
Accrued expenses	14,855	7,532
Deferred revenue	72,965	-
Grant payable	394,699	189,051
Net cash provided by operating activities	<u>423,969</u>	<u>299,864</u>
Cash flows from investing activities		
Purchase of equipment and leasehold improvements	(25,316)	(42,784)
Proceeds from sale of investments	499,936	325,698
Purchase of investments	<u>(633,536)</u>	<u>(637,718)</u>
Net cash used for investing activities	<u>(158,916)</u>	<u>(354,804)</u>
Net increase (decrease) in cash and cash equivalents	265,053	(54,940)
Cash and cash equivalents		
Beginning of year	<u>231,377</u>	<u>286,317</u>
End of year	<u>\$ 496,430</u>	<u>\$ 231,377</u>

See accompanying notes to financial statements.

**PULMONARY HYPERTENSION
ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The Association is required under 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 financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all receivables, payables, and other liabilities.

Estimates - The preparation of financial statements in conformity with 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 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 the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - The Association considers all cash balances and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments - Investments in certificates of deposit and governmental bonds with readily determinable fair values are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income earned on temporarily restricted contributions is restricted for the same purpose as the contribution on which it was earned.

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.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3. INCOME TAX STATUS

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

NOTE 4. INVESTMENTS

Investments at December 31 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Certificates of deposit	\$ -	\$ 199,474
Government bonds	1,311,331	1,001,715
Common stock	<u>518</u>	<u>-</u>
	<u>\$1,311,849</u>	<u>\$1,201,189</u>

NOTE 4. INVESTMENTS (CONTINUED)

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

	<u>2003</u>	<u>2002</u>
Realized loss on investments	\$ (8,742)	\$ (2,686)
Interest and dividend income	49,860	47,187
Unrealized gain (loss)	<u>(20,331)</u>	<u>2,493</u>
	<u>\$ 20,787</u>	<u>\$ 46,994</u>

NOTE 5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2003</u>	<u>2002</u>
Equipment	\$153,407	\$134,187
Leasehold improvements	<u>21,767</u>	<u>15,672</u>
	175,174	149,859
Less accumulated depreciation	<u>(96,537)</u>	<u>(54,088)</u>
	<u>\$ 78,637</u>	<u>\$ 95,771</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2003 and 2002 are restricted for the following:

	<u>2003</u>	<u>2002</u>
Research Fund	\$653,019	\$727,055
J. Hendry Scholarship Fund	15,297	-
Medtronics Gift - Int'l PHA	190,089	-
Medtronics Gift - Boyer	7,970	-
Dukart Fund	28,664	24,898
Patient support services	<u>35,114</u>	<u>50,000</u>
	<u>\$930,153</u>	<u>\$801,953</u>

NOTE 7. OPERATING LEASE

The Association leases office space under a five-year non-cancelable lease. Future minimum payments under the operating lease are as follows:

Year Ending December 31,	
2004	\$ 11,959
2005	12,318
2006	12,688
2007	13,068
2008	<u>8,885</u>
	<u>\$ 58,918</u>

Rent expense for the years ended December 31, 2003 and 2002 was \$28,283 and \$22,325, respectively.

NOTE 8. GRANTS PAYABLE

The Association has made the following unconditional promises to give for research grants as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Payable in less than one year	\$413,750	\$ 43,750
Payable in one to five years	<u>222,500</u>	<u>197,801</u>
	<u>\$636,250</u>	<u>\$241,551</u>