Grant Thornton

Financial Statements

Pulmonary Hypertension Association of Canada

December 31, 2020

Contents

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Independent Auditor's Report

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To the Board of Directors of
Pulmonary Hypertension Association of Canada

Qualified opinion

We have audited the financial statements of Pulmonary Hypertension Association of Canada, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2020, current assets as at December 31, 2020, and net assets as at December 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report (continued)

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Windsor, Canada
December 6, 2021

Chartered Professional Accountants
Licensed Public Accountants

Pulmonary Hypertension Association of Canada
Statement of Operations and Changes in Net Assets

Year ended December 31	2020	2019
Revenues		
Sponsorships	$ 266,500	$ 194,243
Donations - unrestricted	76,122	287,209
Membership dues	50,000	85,000
Miscellaneous	15,962	10,818
Fundraising	11,435	85,934
Investment income	8,212	75
Grants	3,907	-
Donations - restricted	-	21,000
	432,138	684,279
Expenditures		
Wages and benefits	188,580	238,136
Subcontract	66,165	5,598
Rent	26,972	23,546
Website	21,731	23,379
Awareness and promotion	20,237	33,956
Scholarships	15,000	45,000
Amortization	8,150	1,179
Accounting and legal fees	8,000	9,895
Office supplies	6,900	7,590
Translation services	6,716	6,738
Printing and postage	6,224	21,828
Telephone	5,415	7,380
Non-refundable portion of GST/HST	4,680	12,246
Insurance	2,540	3,708
Conference and conference support	2,045	78,347
Membership dues and fees	189	3,074
Volunteer recognition	116	508
Fundraising	-	8,447
Miscellaneous	-	4,213
	389,660	534,768
Excess of revenues over expenditures	42,478	149,511
Net assets - unrestricted, beginning of year	462,615	313,104
Net assets - unrestricted, end of year	$ 505,093	$ 462,615

See accompanying notes to the financial statements.

Pulmonary Hypertension Association of Canada
Statement of Financial Position

December 31	**2020**	2019
Assets		
Current		
Cash	**$ 344,920**	$ 230,615
Restricted cash (Note 3)	**1,650**	1,650
Investments (Note 4)	**216,128**	208,006
Accounts receivable	**6,236**	61
Prepaid expenses	**28,413**	31,181
GST/HST recoverable	**7,002**	2,916
	604,349	474,429
Long-term		
Tangible capital assets (Note 5)	**65,507**	49,299
	$ 669,856	$ 523,728
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 10,407**	$ 18,813
Deferred contributions (Note 7)	**154,356**	42,300
	164,763	61,113
Net assets (Note 8)	**505,093**	462,615
	$ 669,856	$ 523,728

On behalf of the board

DocuSigned by:

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See accompanying notes to the financial statements.

Pulmonary Hypertension Association of Canada
Statement of Cash Flows

Year ended December 31	2020	2019
Increase (decrease) in cash		
Operating		
Excess of revenues over expenditures	**$ 42,478**	$ 149,511
Item not affecting cash		
Amortization	**8,150**	1,179
	50,628	150,690
Change in non-cash working capital items		
Accounts receivable	**(6,175)**	(61)
Prepaid expenses	**2,768**	(27,894)
GST/HST recoverable	**(4,086)**	3,559
Accounts payable and accrued liabilities	**(8,407)**	1,691
Deferred contributions	**112,056**	(265)
	146,784	127,720
Investing		
Investments acquired (net)	**(8,122)**	-
Purchase of tangible capital assets	**(24,357)**	(46,181)
	(32,479)	(46,181)
Increase in cash	**114,305**	81,539
Cash		
Beginning of year	**232,265**	150,726
End of year	**$ 346,570**	$ 232,265

Cash consists of:		
Cash	**$ 344,920**	$ 230,615
Restricted cash	**1,650**	1,650
	$ 346,570	$ 232,265

1. Organization

The Association was incorporated under the Canada Corporations Act on February 19, 1999 as a corporation without share capital and was registered as a public foundation named the Pulmonary Hypertension Society of Canada. In 2008, the name was changed to the Pulmonary Hypertension Association of Canada. While registered, the Association is exempt from income tax and may issue tax deductible receipts to donors.

The purpose of the Association is to undertake public education, patient and caregiver support, dissemination and publication of information about Pulmonary Hypertension, to advocate for all persons suffering from Pulmonary Hypertension in Canada, and to promote and provide funds for research into the cause, control and cure of Pulmonary Hypertension or the incidence therefrom.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian Accounting standards for not-for-profit organizations. Significant accounting policies are detailed below:

Revenue recognition

The Association follows the deferral method of accounting for contributions. Contributions include the following: Donations, Gift in kind donations, Sponsorships and Grants. Where the use of the contributions has restrictions that have not been met by year-end, these unspent restricted contributions are recorded as deferred contributions until the restrictions are met.

Membership dues are recognized as revenue proportionately over the fiscal year to which they relate.

Fundraising revenue is recognized upon the receipt of the funds.

Investment income is recorded when earned.

Gift in kind donations
The Association is the recipient of gift in kind donations from time to time. The Association records these donations at estimated fair market value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid and for which the original maturities are less than three months.

2. Significant accounting policies (continued)

Financial assets and liabilities

Initial measurement
Upon initial measurement, the Association's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement
At each reporting date, the Association measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investments in equity instruments that are quoted in an active market, which are measured at fair value and bond investments which the Association has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Association assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Association determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management’s best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known. Significant estimates include the estimated useful life of tangible capital assets and the allocation of wages and benefits reported against various sponsored programs and initiatives.

Donated services

The work of Pulmonary Hypertension Association of Canada depends on the voluntary services of many members. Donated services are not recorded because the fair market value is not readily determinable.

2. Significant accounting policies (continued)

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When conditions indicate that a tangible capital asset is impaired, its net carrying amount shall be written down to the asset's fair value or replacement cost. A tangible asset is not amortized until it is put into use at the Association. Amortization charges are calculated at the following annual rates subject to half the rate in the year of acquisition:

Furniture and fixtures	30% Declining balance
Computer equipment	5 years Straight-line
Computer software	5 years Straight-line
Website	5 years Straight-line

3. Restricted cash

Restricted cash consists of funds that are restricted in that they are to be used to cover future expenditures relating to patients in British Columbia.

4. Investments

Investments represent three Guaranteed Investment Certificates (GIC) bearing interest at rates from prime minus 2.2% to prime minus 2.7% maturing from January 2021 to July 2021.

5. Tangible capital assets

	Cost	Accumulated Amortization	**2020** Net Book Value	2019 Net Book Value
Furniture and fixtures	$ 5,578	$ 4,981	**$ 597**	$ 853
Computer equipment	7,344	5,919	**1,425**	2,265
Computer software	13,657	13,657	**-**	-
Website	70,539	7,054	**63,485**	46,181
	$ 97,118	$ 31,611	**$ 65,507**	$ 49,299

6. Secured financial liabilities

Included in accounts payable is a MasterCard credit (debit) balance of $1,059 (2019 - $NIL). The balance payable is secured by a $7,219 GIC included in investments.

7. Deferred contributions

Deferred contributions includes a) amounts received in advance to be earned in future periods or b) amounts received for which their use has been restricted by the donors but have not been spent at year end.

	2020	2019
Sponsorships	**$ 120,653**	$ 25,000
Corporate dues	**17,565**	15,065
Connections	**40**	585
Donations BC Patients	**1,650**	1,650
Scholarships	**14,448**	-
	$ 154,356	$ 42,300

8. Net assets

The following is a breakdown of net assets:

	2020	2019
Net assets - unrestricted	**$ 438,491**	$ 413,316
Net assets - Invested in capital assets	**66,602**	49,299
	$ 505,093	$ 462,615

9. Financial instruments

The following analysis provides a measure of the Association's exposure of risks and concentrations of risk in its financial instruments as of its year-end:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Interest rate risk

The Association is subject to interest rate risk (specifically fair value risk) on its fixed rate guaranteed investment certificates.

10. Commitments

In 2019, the Association entered into a two year lease agreement of its premises for $13,689 per year, that expires April 30, 2021. In addition, the Association will receive a rent abatement of $2,700 per annum and will be responsible for paying operating costs and property taxes during this period, estimated at $9,450.

In 2020, the Association extended their agreement with Delta Hotels by Marriott Ottawa City Centre into 2021 for their future event on June 9, 2021 to June 13, 2021. PHA Canada paid a non-refundable deposit of $21,390 on signing the contract (included in prepaid expenses). PHA Canada agreed to make three non-refundable installments of $21,390 each on March 5, 2021, April 9, 2021, and May 7, 2021. Any outstanding balance will be charged to PHA Canada credit card within 30 days of event date.

11. Subsequent events

In 2021, the association extended their agreement with Delta Hotels by Marriott Ottawa City Centre into 2025 for their future event dated June 11, 2025 to June 15, 2025. PHA Canada agreed to pay a non-refundable deposit of $10,000 on March 14, 2025 and the remaining of estimated amount on May 16, 2025.

In 2021, PHA Canada extended their lease agreement for another year ending in April 30, 2022 for a minimum rent per annum of $14,196 plus applicable taxes.

12. COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The organization operated remotely for part of the year, and some positions remained home-based to allow for social distancing in the office. All in-person events, meetings, and fundraising activities were cancelled as of mid-March. Staffing levels were temporarily reduced to manage risks associated with decreased fundraising activities, and alternate revenues were secured to provide new and adapted virtual program activities.

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the organization for future periods.