



Pulmonary Fibrosis Foundation

Financial Statements

Years Ended December 31, 2014 and 2013

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of guarantee



Pulmonary Fibrosis Foundation

Financial Statements

Years Ended December 31, 2014 and 2013

Pulmonary Fibrosis Foundation

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Tel: 847-824-4000
Fax: 847-824-4012
www.bdo.com

1665 Elk Blvd.
Des Plaines, IL 60016

Independent Auditor's Report

Board of Directors
Pulmonary Fibrosis Foundation
Chicago, Illinois

We have audited the accompanying financial statements of Pulmonary Fibrosis Foundation, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pulmonary Fibrosis Foundation as of December 31, 2014, 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.

Emphasis of Matter Regarding Restatement

As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of amounts previously reported for grants payable and grant expense as of December 31, 2013 were discovered by management of the Foundation during the current year. Accordingly, amounts reported for grants payable and grant expense have been restated in the 2013 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2013 to correct the error. Our opinion is not modified with respect to that matter.

Other Matter

The 2013 financial statements of Pulmonary Fibrosis Foundation were audited by SS&G, Inc. whose directors and professional staff joined BDO USA, LLP as of January 1, 2015, and has subsequently ceased operations. SS&G, Inc.'s report dated September 29, 2014 expressed an unmodified opinion on those statements.

BDO USA, LLP

July 29, 2015

Financial Statements

Pulmonary Fibrosis Foundation

Statements of Financial Position

<i>December 31,</i>	2014	2013
		RESTATED
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,839,561	\$ 1,298,224
Certificates of deposit	1,403,141	1,398,735
Accounts receivable	-	34,888
Contributions receivable	399,290	119,511
Pledges receivable	356,765	80,000
Prepaid expenses	101,091	53,746
Total Current Assets	4,099,848	2,985,104
Net Property and Equipment	37,307	20,145
Other Assets		
Certificates of deposit	856,396	853,406
Investments	134,933	87,753
Deposits	16,440	16,440
Website, net of amortization of \$9,773 and \$0 in 2014 and 2013, respectively	55,383	-
Total Other Assets	1,063,152	957,599
Total Assets	\$ 5,200,307	\$ 3,962,848

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Financial Position

<i>December 31,</i>	2014	2013
		RESTATED
Liabilities and Net Assets		
Current Liabilities		
Current portion of capital lease obligation	\$ 7,013	\$ -
Accounts payable	79,767	322,794
Grants payable	322,500	132,500
Accrued liabilities	156,591	9,443
Deferred revenue	6,601	-
Deferred rent	14,500	13,593
Total Current Liabilities	586,972	478,330
Long-Term Liabilities		
Capital lease obligation	21,788	-
Less current portion	(7,013)	-
Total Long-Term Liabilities	14,775	-
Total Liabilities	601,747	478,330
Net Assets		
Unrestricted	3,019,815	2,924,020
Temporarily restricted	1,578,745	560,498
Total Net Assets	4,598,560	3,484,518
Total Liabilities and Net Assets	\$ 5,200,307	\$ 3,962,848

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Activities

<i>December 31,</i>	2014		
	Unrestricted	Temporarily Restricted	Total
Revenues Gains and Other Support			
Public support:			
Contributions	\$ 1,791,268	\$ 570,615	\$ 2,361,883
Contributions in-kind	32,151	-	32,151
Sponsorship	1,701,178	709,150	2,410,328
Special events revenue	526,064	44,929	570,993
Total public support	4,050,661	1,324,694	5,375,355
Other revenues:			
Sale of goods	23,702	-	23,702
Miscellaneous	5,860	-	5,860
Total other revenues	29,562	-	29,562
Investment income:			
Interest and dividends	11,028	-	11,028
Unrealized gain on investments	10,882	-	10,882
Total investment income	21,910	-	21,910
Total revenues	4,102,133	1,324,694	5,426,827
Released from restriction	306,447	(306,447)	-
Total Revenues, Gains, and Other Support	4,408,580	1,018,247	5,426,827

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Activities

<i>December 31,</i>	2014		
	Unrestricted	Temporarily Restricted	Total
Operating Expenses			
Program:			
Advocacy	\$ 79,617	\$ -	\$ 79,617
Care center network	574,614	-	574,614
Outreach and awareness	345,822	-	345,822
Patient communication center	290,013	-	290,013
Patient registry	711,911	-	711,911
Physician and patient education	187,414	-	187,414
PFF Summit	189,568	-	189,568
Program support	327,334	-	327,334
Research	435,175	-	435,175
Support groups	97,934	-	97,934
Total program	3,239,402	-	3,239,402
Management and general	441,555	-	441,555
Fundraising	631,828	-	631,828
Total Operating Expenses	4,312,785	-	4,312,785
Change in Net Assets	95,795	1,018,247	1,114,042
Net Assets, beginning of year	2,924,020	560,498	3,484,518
Net Assets, end of year	\$ 3,019,815	\$ 1,578,745	\$ 4,598,560

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statement of Activities

<i>December 31,</i>	2013		
	RESTATED		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Public support:			
Contributions	\$ 1,659,740	\$ 83,653	\$ 1,743,393
Contributions in-kind	52,644	-	52,644
Sponsorship	830,570	350,000	1,180,570
Private grants	1,000	-	1,000
Special events revenue	545,534	19,380	564,914
Total public support	3,089,488	453,033	3,542,521
Program service fees:			
Registration	118,860	-	118,860
Total program service fees	118,860	-	118,860
Other revenues:			
Sale of goods	15,495	-	15,495
Miscellaneous	1,070	-	1,070
Total other revenues	16,565	-	16,565
Investment income:			
Interest and dividends	12,753	-	12,753
Realized loss on investments	(10,492)	-	(10,492)
Unrealized gain on investments	16,182	-	16,182
Total investment income	18,443	-	18,443
Total revenues	3,243,356	453,033	3,696,389
Released from restriction	290,679	(290,679)	-
Total Revenue, Gains and Other Support	3,534,035	162,354	3,696,389

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statement of Activities

<i>December 31,</i>	2013		
	RESTATED		
	Unrestricted	Temporarily Restricted	Total
Operating Expenses			
Program:			
Advocacy	\$ 3,162	\$ -	\$ 3,162
Care center network	554,428	-	554,428
International program	285,364	-	285,364
Outreach and awareness	80,418	-	80,418
Patient Registry	246,166	-	246,166
Physician and patient education	150,254	-	150,254
PFF Summit	856,052	-	856,052
Research	648,769	-	648,769
Support groups	15,614	-	15,614
Total program	2,840,227	-	2,840,227
Management and general	423,436	-	423,436
Fundraising	609,013	-	609,013
Total Operating Expenses	3,872,676	-	3,872,676
Change in Net Assets	(338,641)	162,354	(176,287)
Net Assets, beginning of year	3,262,661	398,144	3,660,805
Net Assets, end of year restated	\$ 2,924,020	\$ 560,498	\$ 3,484,518

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Functional Expenses

December 31,

2014

	PROGRAM										SUPPORT				
	Advocacy	Care Center Network	Outreach and Awareness	Patient Communication Center	Patient Registry	Physician and Patient Education	PFF Summit	Program Support	Research	Support Groups	Program Total	Management and General	Fundraising	Support Total	Organizational Total
Salaries and wages	\$ 18,166	\$ 289,993	\$ 76,487	\$ 130,921	\$ 303,269	\$ 76,430	\$ 113,110	\$ 38,087	\$ -	\$ 24,912	\$ 1,071,375	\$ 162,697	\$ 271,291	\$ 433,988	\$ 1,505,363
Employee benefits	1,292	21,053	5,490	9,365	21,575	5,382	11,433	2,691	-	1,722	80,003	11,626	19,376	31,002	111,005
Payroll taxes	1,373	18,998	5,837	9,957	26,322	5,722	15,194	2,861	-	1,831	88,095	12,360	20,600	32,960	121,055
Accounting	264	3,652	1,122	1,914	4,444	1,100	1,650	550	616	352	15,664	2,376	3,960	6,336	22,000
Advertising	-	9,181	7,090	4,355	8,811	688	-	9,258	-	-	39,383	10,874	5,487	16,361	55,744
Bank fees	-	-	-	-	-	-	-	-	-	-	-	1,795	-	1,795	1,795
Consulting	45,100	161,253	122,735	3,873	269,646	9,315	9,600	213,675	-	125	835,322	58,557	125,598	184,155	1,019,477
Contributions in-kind	-	-	-	17,113	-	-	-	-	-	-	17,113	15,038	-	15,038	32,151
Depreciation and amortization	-	-	118	-	-	-	-	10,137	-	-	10,255	20,630	945	21,575	31,830
Dues and subscriptions	900	15	-	-	15	1,341	-	334	500	-	3,105	4,112	6,011	10,123	13,228
Grants	-	15,000	-	-	-	8,500	3,000	-	419,098	23,000	468,598	-	10	10	468,608
Insurance	157	2,167	666	1,136	2,637	653	979	326	366	209	9,296	177	2,350	2,527	11,823
Interest expense	-	-	-	-	-	-	-	-	-	-	-	2,400	-	2,400	2,400
Internet service	62	856	263	449	1,042	258	387	129	144	83	3,673	557	929	1,486	5,159
Legal	-	-	8,388	1,643	9,416	-	810	1,125	383	1,103	22,868	26,669	3,618	30,287	53,155
Meetings and conferences	293	4,062	1,245	2,124	4,941	5,048	1,831	902	684	81	21,211	23,594	4,395	27,989	49,200
Miscellaneous	-	-	15,087	59	181	-	-	-	-	521	15,848	3,801	5,621	9,422	25,270
Office supplies	241	3,184	996	1,621	3,787	1,029	1,185	1,901	612	199	14,755	7,321	3,416	10,737	25,492
Organization fees	-	-	-	-	-	-	-	-	-	-	-	3,582	2,767	6,349	6,349
Outside services	9	188	249	153	188	264	-	5,620	9,000	-	15,671	8,947	16,014	24,961	40,632
Postage	-	5,144	15,046	194	5,144	13,061	-	173	81	1,881	40,724	14,927	13,114	28,041	68,765
Printing	160	8,817	8,476	86,030	8,817	6,646	628	3,663	-	4,140	127,377	3,623	15,775	19,398	146,775
Processing fees	54	742	228	389	902	249	335	116	125	105	3,245	482	23,571	24,053	27,298
Rent	1,150	15,909	4,888	8,338	19,359	4,792	7,188	2,396	2,683	1,533	68,236	10,350	17,250	27,600	95,836
Shop PFF merchandise	-	-	3,144	-	-	650	-	-	-	-	3,794	-	-	-	3,794
Special events	-	-	33,801	-	-	10,385	18,866	349	-	10,528	73,929	1,401	47,905	49,306	123,235
Telephone	227	2,316	712	1,214	2,818	698	1,046	1,715	391	482	11,619	2,322	2,717	5,039	16,658
Travel	10,154	11,870	33,688	9,053	18,337	35,139	2,229	31,294	456	25,106	177,326	30,373	18,876	49,249	226,575
Utilities	15	214	66	112	260	64	97	32	36	21	917	964	232	1,196	2,113
Total functional expenses	\$ 79,617	\$ 574,614	\$ 345,822	\$ 290,013	\$ 711,911	\$ 187,414	\$ 189,568	\$ 327,334	\$ 435,175	\$ 97,934	\$ 3,239,402	\$ 441,555	\$ 631,828	\$ 1,073,383	\$ 4,312,785

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Functional Expenses

December 31,

2013

RESTATED

	PROGRAM										SUPPORT			
	Advocacy	Care Center Network	International Program	Outreach and Awareness	Patient Registry	Physician and Patient Education	PFF Summit	Research	Support Groups	Program Total	Management and General	Fundraising	Support Total	Organizational Total
Salaries and wages	\$ -	\$ 269,258	\$ 57,515	\$ 42,445	\$ 193,462	\$ 15,717	\$ 275,134	\$ 12,794	\$ 7,483	\$ 873,808	\$ 113,655	\$ 244,775	\$ 358,430	\$ 1,232,238
Payroll taxes	-	18,870	4,031	2,975	13,558	1,101	19,232	897	524	61,188	11,223	17,154	28,377	89,565
Accounting	-	-	-	-	-	-	-	-	-	-	17,800	-	17,800	17,800
Advertising	-	7,255	10,349	9	-	17,719	55,685	5,301	-	96,318	25,053	7,363	32,416	128,734
Bank fees	-	-	280	-	-	-	80	5	-	365	989	19	1,008	1,373
Consulting	-	87,721	44,848	15,423	629	4,629	38,562	1,542	24	193,378	69,792	12,155	81,947	275,325
Contributions in-kind	-	952	-	-	-	-	-	-	-	952	13,055	38,636	51,691	52,643
Depreciation	-	-	-	29	-	-	-	986	-	1,015	12,517	209	12,726	13,741
Dues and subscriptions	-	-	-	-	-	2,469	50	6,369	-	8,888	3,345	2,235	5,580	14,468
Fundraising	-	-	-	-	-	-	-	-	-	-	271	-	271	271
Grants	-	35,000	5,590	-	-	6,000	5,000	577,450	6,000	635,040	-	-	-	635,040
Insurance	-	16,376	3,498	2,582	11,766	956	17,354	778	455	53,765	6,775	14,887	21,662	75,427
Internet service	-	1,015	217	160	730	59	1,038	48	28	3,295	429	923	1,352	4,647
Legal	920	10,346	1,760	-	-	920	680	920	-	15,546	42,210	3,820	46,030	61,576
Meetings and conferences	-	5,120	6,537	264	1,162	3,748	248,235	3,464	45	268,575	18,936	88,532	107,468	376,043
Moving expenses	-	-	-	-	-	-	-	-	-	-	14	-	14	14
Office supplies	-	5,767	1,394	1,111	4,116	1,324	9,562	1,225	159	24,658	2,103	6,660	8,763	33,421
Organization fees	-	-	-	-	-	-	-	-	-	-	3,415	1,902	5,317	5,317
Outside services	-	27,041	83,542	452	2,063	572	15,312	8,386	80	137,448	1,772	15,509	17,281	154,729
Postage	-	4,668	8,402	1,027	3,306	14,270	24,810	986	133	57,602	1,904	26,808	28,712	86,314
Printing	-	182	31,281	-	-	33,373	20,010	41	-	84,887	27,350	22,691	50,041	134,928
Processing fees	-	-	127	-	-	40	-	8	-	175	8	33,104	33,112	33,287
Physician and patient education	-	-	-	-	-	3,398	-	-	-	3,398	-	-	-	3,398
Rent	-	20,045	4,861	3,219	13,631	1,378	21,803	1,415	616	66,968	10,961	18,691	29,652	96,620
Shop PFF merchandise	-	-	1,234	7,960	-	2,378	1,317	-	-	12,889	-	194	194	13,083
Special events	-	-	1,547	-	-	-	9,669	7,906	-	19,122	-	30,792	30,792	49,914
Telephone	-	2,426	518	382	1,743	329	2,479	731	67	8,675	221	2,206	2,427	11,102
Travel	2,242	42,386	17,833	2,380	-	39,874	90,040	17,517	-	212,272	38,735	19,748	58,483	270,755
Utilities	-	-	-	-	-	-	-	-	-	-	903	-	903	903
Total functional expenses	\$ 3,162	\$ 554,428	\$ 285,364	\$ 80,418	\$ 246,166	\$ 150,254	\$ 856,052	\$ 648,769	\$ 15,614	\$ 2,840,227	\$ 423,436	\$ 609,013	\$ 1,032,449	\$ 3,872,676

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Cash Flows

<i>December 31,</i>	2014	2013 RESTATED
Operating Activities		
Change in net assets	\$ 1,114,042	\$ (176,287)
Adjustments to reconcile change in net assets to net cash from (for) operating activities:		
Donated securities	(33,743)	(3,575)
Depreciation and amortization	31,830	13,741
Realized loss on investments	-	10,492
Unrealized gain on investments	(10,882)	(16,182)
(Increase) decrease in:		
Accounts receivable	34,888	(5,380)
Contributions receivable	(279,779)	142,120
Pledges receivable	(276,765)	(80,000)
Prepaid expenses	(47,345)	20,179
Accrued interest receivable	-	7,264
Deposits	-	4,255
Increase (decrease) in:		
Accounts payable	(243,027)	281,244
Grants payable	190,000	132,500
Accrued liabilities	147,148	(12,639)
Deferred revenue	6,601	-
Deferred rent	907	13,593
Net cash from operating activities	633,875	331,325
Investing Activities		
Proceeds from sale or maturity of certificates of deposit	2,253,772	2,567,622
Purchases of certificates of deposit	(2,263,723)	(2,255,351)
Purchases of property and equipment	(12,739)	(14,109)
Investment in website	(65,156)	-
Net cash for (from) investing activities	(87,846)	298,162

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statements of Cash Flows

<i>December 31,</i>	2014	2013
		RESTATED
Financing Activities		
Repayment of capital lease obligation	\$ (4,692)	\$ -
Net cash for financing activities	(4,692)	-
Net increase in cash	541,337	629,487
Cash, beginning of year	1,298,224	668,737
Cash, end of year	\$ 1,839,561	\$ 1,298,224
Supplemental Cash Flow Disclosure		
Cash paid during the year for:		
Interest	\$ 2,400	\$ -
Supplemental Non-Cash Financing Disclosure		
Assets purchased through capital leases	\$ 26,480	\$ -

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

The mission of Pulmonary Fibrosis Foundation (the Organization) is to serve as the trusted resource for the pulmonary fibrosis (PF) community by raising awareness, providing disease education and funding research. The Organization works diligently to foster conversations between everyone affected by pulmonary fibrosis, including those living with the disease, the medical and research community, and industry.

Basis of Presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as recommended in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations.

The net assets of the Organization are classified as follows:

Unrestricted, which represents the portion of expendable net assets that are available for operations.

Temporarily restricted, which represents a portion of net assets restricted by the donors for medical research to find a cure for pulmonary fibrosis and patient education. Upon satisfaction of the restriction, a reclassification is made to unrestricted net assets.

Cash and Cash Equivalents

The Organization considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also include \$51,149 and \$0 as of December 31, 2014 and 2013, respectively, of amounts due from commercial credit card companies, such as Visa, MasterCard, and American Express, which are generally received within a few days of the related transaction and related to contributions.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments in marketable securities, mutual funds and bonds are reported at fair value based upon market quotations. Investments in certificates of deposit are reported at cost plus interest

Pulmonary Fibrosis Foundation

Notes to Financial Statements

accrued which approximates market value. Donated investments are reflected as contributions at their fair values at date of receipt and totaled approximately \$33,743 and \$3,575 for the years ended December 31, 2014 and 2013, respectively. Realized and unrealized gains and losses are included in the accompanying statements of activities. Money market accounts that are held in a portfolio at the same institution as other investments are classified as investments.

Contributions Receivable

Contributions that are mailed by the donor before year end, but not received until after year end are included as contributions receivable.

Allowance for Doubtful Accounts

The Organization recognizes an allowance for losses on accounts receivable and contributions receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as program expense. As of December 31, 2014 and 2013, management has determined that no allowance for doubtful accounts is deemed necessary.

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Property and equipment are carried at cost if purchased or fair value if contributed. Depreciation is computed using the straight-line method over 3-5 years for computer hardware and software. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations.

Website

The Organization incurred \$65,156 of website development costs during the year ended December 31, 2014. Under ASC 350, these costs are able to be recognized as an intangible asset, and are being amortized using the straight-line method over 5 years. Amortization expense was \$9,773 for the year ended December 31, 2014.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Amortization expense for the next five years is expected to be as follows:

Year ending December 31,

2015	\$	13,031
2016		13,031
2017		13,031
2018		13,031
2019		3,259
		<hr/>
	\$	55,383

Deferred Rent

Rent expense on non-cancelable leases containing known future scheduled rent increases or free rent periods is recorded on a straight-line basis over the respective lease term. The lease term begins when the Organization has right to control the use of the leased property and includes the initial non-cancelable lease term plus any periods covered by renewal options that the Organization is reasonably assured of exercising. The difference between rent expense and rent paid is accounted for as deferred rent and is amortized over the lease term.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$55,744 and \$128,734 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. 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 IRC Section 509(a).

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Notes to Financial Statements

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2011 through the current year. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized for the years ended December 31, 2014 and 2013.

It is the policy of the Organization to include in management and general expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in management and general expenses for the years ended December 31, 2014 and 2013.

Functional Allocation of Expenses

In the statements of functional expenses, the costs which are directly associated with a particular program or supporting service are charged to that functional category. Additionally, certain costs have been allocated among the programs and supporting services benefited based on staff time devoted to the functional areas or other appropriate allocation methods determined by management.

Reclassifications

Certain items in the financial statements as of and for the year ended December 31, 2013 have been reclassified for presentation purposes. Such reclassification had no impact on the change in net assets.

Subsequent Events

Subsequent events were evaluated through July 29, 2015, which is the date the financial statements were available to be issued.

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Pulmonary Fibrosis Foundation

Notes to Financial Statements

2. Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are no changes in valuation methodologies during the years ended December 31, 2014 and 2013.

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Pulmonary Fibrosis Foundation

Notes to Financial Statements

Fair values of assets measured on a recurring basis were as follows:

<i>December 31,</i>	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Money market	\$ 4,170	\$ -	\$ -	\$ 4,170
Certificates of deposit	-	2,259,537	-	2,259,537
Mutual funds:				
DFA emerging markets fund	4,232	-	-	4,232
T Rowe Price Equity Income	2,493	-	-	2,493
Total mutual funds	6,725	-	-	6,725
Bonds	5,022	-	-	5,022
Equities:				
U.S. Common Stocks				
Consumer goods (donated gift)	22,706	-	-	22,706
Healthcare (donated gift)	58,137	-	-	58,137
Investments (donated gift)	5,255	-	-	5,255
Services (donated gift)	2,735	-	-	2,735
Technology (donated gift)	28,984	-	-	28,984
Utilities (donated gift)	1,199	-	-	1,199
Total equities	119,016	-	-	119,016
	\$ 134,933	\$ 2,259,537	\$ -	\$ 2,394,470
<hr/>				
<i>December 31,</i>	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Money market	\$ 3,246	\$ -	\$ -	\$ 3,246
Certificates of deposit	-	2,252,141	-	2,252,141
DFA emerging markets fund	4,387	-	-	4,387
Equities:				
U.S. Common Stocks				
Healthcare (donated gift)	49,534	-	-	49,534
Investments (donated gift)	2,490	-	-	2,490
Services (donated gift)	1,611	-	-	1,611
Technology (donated gift)	25,446	-	-	25,446
Utilities (donated gift)	1,039	-	-	1,039
Total equities	80,120	-	-	80,120
	\$ 87,753	\$ 2,252,141	\$ -	\$ 2,339,894

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Notes to Financial Statements

3. Concentration of Credit Risk

The Organization maintains the majority of its cash at a several financial institutions. All deposit accounts at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to \$250,000. At times during the year, the Organization's bank balances may have exceeded the federally insured limits; however, it has not experienced any losses with respect to its bank balances in excess of government provided insurance.

Investments in certificates of deposit at FDIC-insured institutions are insured up to \$250,000 per institution.

The Organization maintains reserve cash at a brokerage firm. This account is insured by the Securities Investor Protection Corporation up to \$500,000 including a maximum of \$250,000 for claims for cash and additional coverage is provided by the brokerage firm. At December 31, 2014 and 2013, the Organization has no uninsured cash investment balances at brokerage firms.

As of December 31, 2014 and 2013, 87% and 79% of total revenue was from contributions and sponsorships and 45% and 32% of total revenue was from two donors, respectively. As of December 31, 2014, 98% of total pledges receivable was from two donors and as of December 31, 2013, 100% of total pledges receivable was from one donor. As of December 31, 2014, 75% of total contribution receivables was from one donor.

4. Property and Equipment

The costs of the Organization's property and equipment were as follows:

<i>December 31,</i>	2014	2013
Computer hardware and software	\$ 85,889	\$ 46,670
Less accumulated depreciation	(48,582)	(26,525)
	\$ 37,307	\$ 20,145

Depreciation expense for the years ended December 31, 2014 and 2013 was \$22,057 and \$13,741, respectively.

5. Pledges Receivable

The Organization has received a number of letters of intent to contribute to the Organization. These amounts are classified as temporarily restricted until received. The total amount of these pledges receivable was \$356,765 and \$80,000 as of December 31, 2014 and 2013, respectively and are receivable in less than one year.

The Organization is the recipient of a conditional pledge receivable over the next four years. The pledge is a \$0.10 to \$1 matching grant up to \$700,000 for funds raised by the Organization from

Pulmonary Fibrosis Foundation

Notes to Financial Statements

other contributors to support the Care Center Network and Patient Registry programs. The Organization has up to four years to raise funds to meet the pledged amount of \$700,000. Included in total pledges receivable is the matching pledge of \$251,300 and \$80,000 as of December 31, 2014 and 2013, respectively, which represents the portion of the contingency which has been met.

6. Capital Lease Obligation

The Organization entered into a capital lease to purchase two copiers with Proven Business Systems commencing on April 30, 2014 and expiring on June 30, 2017. The fair market value of the copiers is \$26,480 with accumulated depreciation of \$6,111. There are monthly installments of \$788 due monthly with an imputed annual interest rate of 13.1%.

Maturities of long-term debt are as follows:

Year ending December 31,

2015	\$	9,456
2016		9,456
2017		7,111
		<hr/>
		26,023
Less: Imputed interest on capital leases		<hr/>
		(4,235)
		<hr/>
	\$	21,788

7. Temporarily Restricted Net Assets

The following items were temporarily restricted due to either use or time restrictions:

<i>December 31,</i>	2014	2013
Broadway Belts! 2015	\$ 44,929	\$ -
Digital Program Development	55,383	-
Patient Registry	989,082	380,000
Pledges	98,465	-
Research	37,648	180,498
Support Groups	353,238	-
	<hr/>	<hr/>
	\$ 1,578,745	\$ 560,498

Pulmonary Fibrosis Foundation

Notes to Financial Statements

The following items were released from temporarily restricted net assets due to meeting either use or time restrictions:

<i>December 31,</i>	2014	2013
International program	\$ -	\$ 30,000
Patient Registry	156,447	106,749
Research	150,000	153,930
	<u>\$ 306,447</u>	<u>\$ 290,679</u>

8. Contributions In-Kind

Donated software and materials are included in contribution in-kind expenses on the statement of functional expense. Such donations are recorded at their estimated fair value at the date of donation. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. During the years ended December 31, 2014 and 2013, the Organization received donated software valued at \$17,113 and \$13,055, respectively, donated services valued at \$15,038 and \$0, respectively, and donated materials valued at \$0 and \$39,589, respectively.

9. Lease Obligation and Rental Expense

The Organization entered into a lease for office space at 230 East Ohio Street, Chicago, IL, effective November 9, 2012 that expires October 31, 2015. The Organization also entered into a storage lease effective January 10, 2014 that expires October 31, 2015. Rental expense on all leases for the years ended December 31, 2014 and 2013 was \$95,835 and \$96,620, respectively. The Organization is also liable for its proportionate share of property taxes, increased expenses, insurance, utilities, and repairs.

The estimated future minimum rental and lease obligation for the succeeding years under non-cancelable operating leases for the year ending December 31, 2015 is \$92,254.

10. Commitments

The Organization has entered into an agreement with a hotel to hold the future PFF Summit. The agreement includes penalties if the Organization breaks the contract. No provision has been made in the financial statements for any contingency relating to the commitment. The Organization made the following commitment for hotel space (includes hotel room cancellation fees):

November 2015 PFF Summit in Washington, DC	\$ 231,935
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Pulmonary Fibrosis Foundation

Notes to Financial Statements

11. Special Events

Revenues and expenses from special events are shown at the gross amounts in the statements of activities. Gross revenue and expense for each event was as follows:

<i>December 31,</i>	2014		
	Revenue	Expense	Net
Broadway Belts! 2014	\$ 104,006	\$ 50,183	\$ 53,823
Broadway Belts! 2015	44,929	-	44,929
Other events	422,058	19,361	402,697
	\$ 570,993	\$ 69,544	\$ 501,449

<i>December 31,</i>	2013		
	Revenue	Expense	Net
Signature Dinner	\$ 156,636	\$ 109,761	\$ 46,875
Broadway Belts!	64,625	43,895	20,730
Other events	343,653	6,635	337,018
	\$ 564,914	\$ 160,291	\$ 404,623

During the years ended December 31, 2014 and 2013, the Organization received donations from events held by third parties in honor of the Organization. The net proceeds of each event are remitted by the third parties to the Organization after the event has been completed. For the Broadway Belts! 2015 event, all sponsorship revenue is included in temporarily restricted net assets as of December 31, 2014 (Note 7).

12. Patient Registry Expenses

During the year ended December 31, 2013, the Organization initiated a program focusing on developing an electronic patient registry database. The Organization plans on launching the registry in the next upcoming years. In connection with the development of this program, the Organization has incurred expenses of \$246,166 from unrestricted cash reserves for the year ended December 31, 2013, thus creating an operating deficit. This deficit was planned by the Organization in connection with the Board of Directors authorizing up to \$500,000 of unrestricted funds to be used towards this endeavor.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

13. Retirement Plan

On January 1, 2014, the Organization introduced a 401(k) salary reduction plan that covers all full-time employees. Contributions are made by the employees at an amount or percentage of their salary not to exceed applicable IRS limits. The Organization contributes 3% of the employee's base salary into the Plan, irrespective of the employee's level of deferral. During the years ended December 31, 2014 and 2013, the Organization made employer contributions to the plan of \$35,807 and \$0, respectively.

14. Restatement

The Organization recorded grant expense related to 2013 in 2014, which affected both grants payable and the expense account. As a result, the financial statements for the year ended December 31, 2013 were restated to reflect these changes in grants payable and grant expense. The restatement resulted in grants payable increasing and net assets decreasing as a result of the additional expense of \$132,500.

	2013 Previously Reported	Adjustment	2013 Restated
Grants payable	\$ -	\$ 132,500	\$ 132,500
Net assets, end of year	3,617,018	(132,500)	3,484,518
Grant expense	502,540	132,500	635,040
Change in net assets	(43,787)	(132,500)	(176,287)