



Pulmonary Fibrosis Foundation

Financial Statements

Year Ended June 30, 2016

Pulmonary Fibrosis Foundation

Financial Statements
Year Ended June 30, 2016

Pulmonary Fibrosis Foundation

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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 June 30, 2016, and the related statements of activities and change in net assets, 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



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 June 30, 2016, 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.

BDO USA, LLP

December 12, 2016

Financial Statements

Pulmonary Fibrosis Foundation

Statement of Financial Position

June 30, 2016

Assets

Current Assets

Cash and cash equivalents	\$	4,140,739
Certificates of deposit		1,176,341
Contributions receivable		90,151
Pledges receivable		20,000
Sponsorships receivable, net of allowance of \$5,000		5,000
Prepaid expenses		113,357

Total Current Assets		5,545,588
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Property and Equipment, net		56,590
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Other Assets

Certificates of deposit		860,262
Investments		177,691
Deposits		16,440
Website, net of accumulated amortization of \$29,320		35,836
Goodwill, net of accumulated amortization of \$3,667		51,333

Total Other Assets		1,141,562
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Total Assets	\$	6,743,740
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Pulmonary Fibrosis Foundation

Statement of Financial Position

June 30, 2016

Liabilities and Net Assets

Current Liabilities

Current portion of capital lease obligation	\$	9,059
Accounts payable		39,254
Grants payable		120,000
Accrued liabilities		368,975
Deferred revenue		1,867,144

Total Current Liabilities		2,404,432
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Total Liabilities		2,404,432
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Net Assets

Unrestricted		2,535,878
Temporarily restricted		1,803,430

Total Net Assets		4,339,308
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Total Liabilities and Net Assets	\$	6,743,740
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See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statement of Activities and Change in Net Assets

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Public support:			
Contributions	\$ 2,248,270	\$ 176,175	\$ 2,424,445
In-kind contributions	838,359	-	838,359
Sponsorship	1,714,743	1,270,860	2,985,603
Special events revenue	186,341	-	186,341
Total public support	4,987,713	1,447,035	6,434,748
Program service fees:			
Program service revenue	695,431	-	695,431
Registrations	460,665	-	460,665
Total program service fees	1,156,096	-	1,156,096
Other revenues:			
Sale of goods	15,914	-	15,914
Miscellaneous	19,000	-	19,000
Total other revenues	34,914	-	34,914
Investment income:			
Interest and dividends	14,534	-	14,534
Realized gain on investments	271	-	271
Unrealized loss on investments	(6,441)	-	(6,441)
Total investment income	8,364	-	8,364
Total Revenue, Gains and Other Support			
Before Net Assets Released from Restriction	6,187,087	1,447,035	7,634,122
Net Assets Released from Restriction	710,508	(710,508)	-
Total Revenues, Gains and Other Support	\$ 6,897,595	\$ 736,527	\$ 7,634,122

Pulmonary Fibrosis Foundation

Statement of Activities and Change in Net Assets

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Expenses			
Program:			
Care center network	\$ 280,866	\$ -	\$ 280,866
Education	636,682	-	636,682
Legislative advocacy	12,784	-	12,784
Outreach and awareness	269,585	-	269,585
Patient communication center	38,790	-	38,790
PFF Patient Registry	809,845	-	809,845
PFF Summit	699,806	-	699,806
Program support	1,101,641	-	1,101,641
Research grants	277,121	-	277,121
Support groups	345,110	-	345,110
Total program	4,472,230	-	4,472,230
Management and general	1,106,218	-	1,106,218
Fundraising	1,309,721	-	1,309,721
Total Expenses	6,888,169	-	6,888,169
Change in Net Assets	9,426	736,527	745,953
Net Assets, beginning of year	2,526,452	1,066,903	3,593,355
Net Assets, end of year	\$ 2,535,878	\$ 1,803,430	\$ 4,339,308

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statement of Functional Expenses

Year ended June 30, 2016

	SUPPORT													
	Care Center Network	Education	Legislative Advocacy	Outreach and Awareness	Patient Communication Center	PFF Patient Registry	PFF Summit	Program Support	Research Grants	Support Groups	Program Total	Management and General	Fundraising	Organizational Total
Salaries and wages	\$ 101,722	\$ 371,642	\$ 3,174	\$ 114,800	\$ 25,152	\$ 288,077	\$ 145,091	\$ 175,653	\$ 48,946	\$ 149,669	\$ 1,423,926	\$ 312,248	\$ 679,463	\$ 2,415,637
Employee Benefits	9,066	23,053	153	9,282	1,720	21,118	8,183	15,880	3,098	9,973	101,526	30,841	44,316	176,683
Payroll Taxes	8,027	33,585	125	11,430	1,410	23,368	8,305	17,486	2,985	13,936	120,657	12,351	46,164	179,172
Accounting	1,362	3,668	25	1,816	279	2,806	1,186	2,213	463	692	14,510	6,174	6,215	26,899
Advertising	4,740	5,532	-	1,019	-	8,819	7,595	4,910	-	-	32,615	-	73	32,688
Bad Debt	-	-	-	-	-	-	5,000	-	-	-	5,000	2,000	-	7,000
Bank Fees	-	48	-	-	-	-	-	800	-	-	848	607	365	1,820
Consulting	35,544	83,738	-	70,970	-	242,130	50,546	155,024	-	39,286	677,238	311,158	103,111	1,091,507
Depreciation/Amortization	508	3,306	-	1,180	-	1,624	719	15,154	199	605	23,295	14,459	4,841	42,595
Dues & Subscriptions	-	2,351	900	2,815	-	-	-	3,025	-	300	9,391	1,545	3,554	14,490
Events expense	(6,222)	12,005	6,408	(5,461)	320	94	338,944	1,850	3,468	7,098	358,504	23,924	117,597	500,025
Grants	75,000	3,000	-	-	-	10,000	3,000	-	199,766	83,850	374,616	-	500	375,116
In-Kind Expense	-	-	-	-	-	-	-	562,841	-	-	562,841	191,239	75,045	829,125
Insurance	821	2,539	15	1,095	164	1,823	810	1,712	304	565	9,848	2,338	4,445	16,631
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	665	-	665
Internet Service	355	1,144	6	513	63	788	338	709	123	217	4,256	971	1,871	7,098
Legal	5,200	-	-	1,035	-	21,233	3,806	2,048	450	450	34,222	46,487	1,898	82,607
Meetings & Conferences	994	2,882	13	1,663	144	3,824	717	2,590	266	217	13,310	1,219	2,348	16,877
Miscellaneous	796	5,294	6	1,689	62	2,757	1,858	12,836	4,918	1,421	31,637	3,477	20,697	55,811
Occupancy	44	11	1	29	16	61	27	12	15	10	226	1,917	86	2,229
Office Supplies	668	3,347	4	1,349	417	1,785	1,043	5,463	6,227	514	20,817	1,402	14,200	36,419
Organization Fees	-	-	-	-	-	-	-	-	-	-	-	5,140	614	5,754
Outside Services	20,000	7,425	-	9,075	-	111,403	57,653	41,457	-	7,100	254,113	7,841	9,596	271,550
Postage	558	10,630	-	610	5,258	21,166	3,531	10,024	-	698	52,475	7,854	24,219	84,548
Printing	-	4,483	-	-	2,500	-	10,668	40,291	-	12,480	70,422	464	35,237	106,123
Processing Fees	338	185	5	132	57	742	309	630	113	80	2,591	7,875	31,176	41,642
Rent	7,628	20,216	66	8,597	991	16,003	6,682	13,140	2,170	3,900	79,393	15,759	33,541	128,693
Shop PFF Merchandise	-	-	-	538	-	-	-	-	-	2,850	3,388	3,100	-	6,488
Telephone	1,089	2,809	21	1,385	237	2,225	955	1,769	379	578	11,447	2,545	4,962	18,954
Travel	12,628	33,789	1,862	34,024	-	27,999	42,840	14,124	3,231	8,621	179,118	90,618	43,587	313,323
Total Functional Expenses	\$ 280,866	\$ 636,682	\$ 12,784	\$ 269,585	\$ 38,790	\$ 809,845	\$ 699,806	\$ 1,101,641	\$ 277,121	\$ 345,110	\$ 4,472,230	\$ 1,106,218	\$ 1,309,721	\$ 6,888,169

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Statement of Cash Flows

Year ended June 30, 2016

Operating Activities	
Change in net assets	\$ 745,953
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	42,595
Realized gain on investments	(271)
Unrealized loss on investments	6,441
Donated securities	(39,569)
Deferred rent	(4,964)
Bad debt	5,000
Changes in operating assets and liabilities:	
Contributions receivable	(89,618)
Pledges receivable	22,001
Sponsorships receivable	270,000
Other receivables	25,000
Prepaid expenses	8,082
Accounts payable	(59,400)
Grants payable	(95,000)
Accrued liabilities	67,852
Deferred revenue	1,725,884
Net cash from operating activities	2,629,986
Investing Activities	
Proceeds from sale or maturity of certificates of deposit	2,264,418
Purchases of certificates of deposit	(2,040,979)
Purchases of property and equipment	(49,740)
Acquisition of goodwill	(55,000)
Net cash from investing activities	118,699
Financing Activities	
Repayment of capital lease obligation	(8,790)
Net cash for financing activities	(8,790)
Net increase in cash and cash equivalents	2,739,895
Cash and cash equivalents, beginning of year	1,400,844
Cash and cash equivalents, end of year	\$ 4,140,739
Cash Paid During the Year for Interest	\$ 665

See accompanying notes to the financial statements.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Our mission is to mobilize people and resources to provide access to high-quality care and lead research for a cure so that people with pulmonary fibrosis (PF) will live longer, healthier lives. By actively engaging the pulmonary fibrosis community, the Pulmonary Fibrosis Foundation (“the Organization”) has developed essential programs for patients, caregivers, and health care professionals to give them a greater understanding of PF and support while living with the disease.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as recommended in the American Institute of Certified Public Accountant’s Audit and Accounting Guide for Not-for-Profit Organizations. The Organization changed its fiscal year end from December 31st to June 30th effective January 1, 2015. The previously issued financial statements represent six months of activity for the period ended June 30, 2015. Therefore, the current annual financial statements for the year ending June 30, 2016, are not presented on a comparative basis.

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 includes \$15,691 as of June 30, 2016, 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 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 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 accrued which approximates market value. Donated investments are reflected as contributions at their fair values at date of receipt. There were donated investments of \$39,569 during the year ended June 30, 2016. Realized and unrealized gains and losses are included in the accompanying statement of activities and change in net assets. Money market accounts that are held in a portfolio at the same institution as other investments are classified as investments.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Contributions Receivable

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

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. Pledges receivable are amounts committed by donors that have not been received by the Organization. These amounts are classified as temporarily restricted until received. The total amount of these pledges receivable was \$20,000 as of June 30, 2016, which is due in less than one year.

Allowance for Doubtful Accounts

The Organization recognizes an allowance for losses on contributions, pledges, and sponsorships 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 in the statement of functional expenses. As of June 30, 2016, allowance for doubtful accounts is \$5,000.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value at the date of donation. 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. 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. Maintenance and repairs are expensed as incurred.

Website

The Organization incurred \$65,156 of website development costs during the year ended December 31, 2014. Under Accounting Standards Codification (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 \$13,031 for the year ended June 30, 2016.

Amortization expense for the next three years is expected to be \$13,031, \$13,031 and \$9,774.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Goodwill

On November 19, 2015, the Organization acquired all rights to the Daughters of Pulmonary Fibrosis program from the Coalition for Pulmonary Fibrosis (CPF). The Organization continues to cultivate the Daughters program as one of their signature programs, with an expanded focus on identifying and developing resources for the caregiver community. The cost of the goodwill purchased was \$55,000 to be amortized over the next 10 years using the straight-line method at the rate of \$5,500 per year. Goodwill amortization was \$3,667 for the year ended June 30, 2016.

Grants Payable

Grants payable consists of awards to universities and hospitals for research purposes which are recognized as expenses when they are awarded.

Accrued Liabilities

Accrued liabilities are made up of various expenses including meeting and contractor fees that relate to the year ended June 30, 2016.

Deferred Revenue

Deferred revenue consists of PFF Patient Registry and strategic partnership milestone payments for fee for service. Performance is expected to be completed in the next fiscal year. See Note 3.

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. Deferred rent was \$0 as of June 30, 2016, as the initial lease term expired on October 31, 2015. The Organization amended the lease to extend the terms through July 31, 2016. See Note 9 for the new lease signed after June 30, 2016.

Net Assets

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 the portion of net assets restricted by the donors for program expenses such as PFF Patient Registry, education, Care Center Network, support groups, outreach and awareness. Upon satisfaction of the restriction, a reclassification is made to unrestricted net assets.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Revenue Recognition

Program service fee and sponsorship revenue are recognized when earned based on performance of services.

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 statement of activities and change in net assets as net assets released from restrictions.

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).

The Organization's income tax filings are subject to audit by various taxing authorities. 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. During the fiscal year, the Organization recognized \$16,900 in unrelated business income pertaining to a profit sharing model with a third party for advertising revenue on their website.

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 year ended June 30, 2016.

Functional Allocation of Expenses

In the statement 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.

New Accounting Standard Updates

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major

Pulmonary Fibrosis Foundation

Notes to Financial Statements

changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*", which established a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability 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. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required 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 Organization is currently evaluating the potential impact of the adoption of ASU 2016-02 on the Organization's financial statements.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

Subsequent events were evaluated through December 12, 2016, which is the date the financial statements were available to be issued, and management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Notes to Financial Statements

2. Fair Value Measurements

FASB 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 were no changes in valuation methodologies during the year ended June 30, 2016.

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Notes to Financial Statements

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

June 30, 2016

	Level 1	Level 2	Level 3	Total
Money market	\$ 6,985	\$ -	\$ -	\$ 6,985
Certificates of deposit	-	2,036,603	-	2,036,603
Mutual funds	9,381	-	-	9,381
Bonds	5,038	-	-	5,038
Equities:				
U.S. Common Stocks(donated gifts)				
Consumer goods	39,617	-	-	39,617
Healthcare	61,620	-	-	61,620
Financial	5,068	-	-	5,068
Services	5,568	-	-	5,568
Technology	42,963	-	-	42,963
Utilities	1,451	-	-	1,451
Total equities	156,287	-	-	156,287
	\$ 177,691	\$ 2,036,603	\$ -	\$ 2,214,294

3. Concentrations of Credit Risk

The Organization maintains the majority of its cash at 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 June 30, 2016, the Organization has no uninsured cash investment balances at brokerage firms.

For the year ended June 30, 2016, 40% of total revenue was from two sources. This is the result of contracts executed with two organizations in October and November of 2015 for multi-year funding of the PFF Patient Registry and related Care Center Network and associated programs. These contracts contain multiple revenue types, portions of which are fee for service specific to the PFF Patient Registry and other portions as sponsorship revenue related to the Care Center Network and associated programs. The total of these agreements exceeds \$20 million and will be received over a period of five years. This funding has allowed the Organization to increase the Care Center Network to 40 sites, perform various educational programming within the network and begin enrollment of the targeted 2,000 patients in the PFF Patient Registry

Pulmonary Fibrosis Foundation

Notes to Financial Statements

4. Related Party Transactions

The Organization received \$1,034,556 in contributions from board members for the year ended June 30, 2016, which includes in-kind professional services and travel of \$826,500. See Note 8.

5. Property and Equipment

The Organization's property and equipment as of June 30, 2016 was as follows:

Computer hardware and software	\$	138,475
Less accumulated depreciation		(81,885)
		<hr/>
	\$	56,590

Depreciation expense for the year ended June 30, 2016 was \$25,897.

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 \$18,332 as of June 30, 2016. The payments are due in monthly installments of \$788 with an imputed annual interest rate of 13.1%.

Maturities of long-term debt are as follows at June 30, 2016:

2017	\$	9,456
Less: Imputed interest on capital leases		(397)
		<hr/>
	\$	9,059

Pulmonary Fibrosis Foundation

Notes to Financial Statements

7. Temporarily Restricted Net Assets

The following items were temporarily restricted as of June 30, 2016 due to either use or time restrictions:

Care Center Network	\$ 595,277
Digital Program Development	35,843
Education	378,118
Other	20,000
Outreach and Awareness	280,172
PFF Patient Registry	278,057
PFF Summit 2015	5,000
Research Grants	10,568
Support Groups	200,395
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	\$ 1,803,430

The following items were released from temporarily restricted net assets during the year ended June 30, 2016 due to meeting either use or time restrictions:

Care Center Network	\$ 10,749
Digital Program Development	13,025
Education	40,000
Other	2,000
PFF Patient Registry	116,700
PFF Summit 2015	304,044
Research Grants	19,980
Support Groups	204,010
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	\$ 710,508

8. Contributions In-Kind

During the year ended June 30, 2016, the Organization received donated professional services, software and travel of \$825,500, \$11,859 and \$1,000, respectively. 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.

9. Lease Obligation and Rental Expense

The Organization entered into a lease for office space at 230 East Ohio Street, Suite 304, Chicago, IL, effective November 9, 2012 that expired October 31, 2015. This lease was extended through July 31, 2016. The Organization entered into a new lease agreement for office space for Suite 500 of the same building. The new lease period commences August 1, 2016 and extends through November 2022. Rental expense on all leases for the year ended June 30, 2016 was \$128,693. The Organization is also liable for its proportionate share of property taxes, increased expenses, insurance, utilities, and repairs.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

The estimated future minimum rental and lease obligation for the succeeding years under non-cancelable operating leases is as follows:

Year ending June 30,	
2017	\$ 205,346
2018	251,848
2019	257,373
2020	218,698
2021	245,862
Thereafter	366,031
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	\$ 1,545,158

10. Commitments

The Organization has entered into agreements with hotels to hold the future PFF events. The agreements include penalties if the Organization breaks the contract. No provision has been made in the financial statements for any contingency relating to the commitments. The Organization made the following commitments for hotel space (includes hotel room cancellation fees):

November 2016 - Annual Volunteer Meeting in Chicago, IL	32,037
November 2017 - PFF Summit in Nashville, TN	160,776
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	\$ 192,813

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 for the year ended June 30, 2016:

	Revenue	Expense	Net
Broadway Belts! 2016	\$ 186,341	\$ 111,459	\$74,882

During the year ended June 30, 2016, the Organization had third parties hold special events 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. These proceeds are recorded as contributions as the events are not held by the Organization.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

12. 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 year ended June 30, 2016, the Organization made employer contributions to the plan of \$69,810.