

**PULMONARY
FIBROSIS FOUNDATION**

***FINANCIAL
STATEMENTS***

***FOR THE
YEARS ENDED
DECEMBER 31,
2010 AND 2009***

PULMONARY FIBROSIS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pulmonary Fibrosis Foundation
Chicago, Illinois

We have audited the accompanying statement of financial position of Pulmonary Fibrosis Foundation (an Illinois not-for-profit corporation) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2009 were audited by Ahlbeck & Company, who merged with SS&G Financial Services, Inc. on October 8, 2010, and whose report dated June 21, 2010, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pulmonary Fibrosis Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended December 31, 2010 referred to above present fairly, in all material respects, the financial position of Pulmonary Fibrosis Foundation as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

June 10, 2011

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PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 814,292	\$ 483,820
Certificates of deposit	1,671,365	1,179,526
Pledges receivable	-	5,000
Interest receivable	<u>7,264</u>	<u>7,062</u>
TOTAL CURRENT ASSETS	2,492,921	1,675,408
PROPERTY AND EQUIPMENT, net		
Computer hardware and software	<u>5,382</u>	<u>6,459</u>
TOTAL PROPERTY AND EQUIPMENT, net	5,382	6,459
OTHER ASSETS		
Investments	1,053,452	1,403,136
Deposits	<u>3,576</u>	<u>2,720</u>
TOTAL OTHER ASSETS	<u>1,057,028</u>	<u>1,405,856</u>
TOTAL ASSETS	<u>\$ 3,555,331</u>	<u>\$ 3,087,723</u>

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	<u>DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,147	\$ 5,477
Grants payable	<u>-</u>	<u>67,462</u>
TOTAL CURRENT LIABILITIES	<u>23,147</u>	<u>72,939</u>
TOTAL LIABILITIES	23,147	72,939
NET ASSETS		
Unrestricted	3,532,184	3,009,784
Temporarily restricted	<u>-</u>	<u>5,000</u>
TOTAL NET ASSETS	<u>3,532,184</u>	<u>3,014,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,555,331</u>	<u>\$ 3,087,723</u>

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Public support:			
Contributions	\$ 1,277,089	\$ -	\$ 1,277,089
Contributions in kind	5,004	-	5,004
Special events revenue	309,988	-	309,988
Less costs of direct benefits to donors	<u>(27,495)</u>	<u>-</u>	<u>(27,495)</u>
Total public support	1,564,586	-	1,564,586
Investment income:			
Interest and dividends	62,902	-	62,902
Unrealized loss on investments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Total investment income	<u>62,790</u>	<u>-</u>	<u>62,790</u>
Total revenues	1,627,376	-	1,627,376
Released from restriction	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,632,376	(5,000)	1,627,376
OPERATING EXPENSES			
Program:			
Advocacy	119,891	-	119,891
Physician and patient education	262,444	-	262,444
Research	158,411	-	158,411
Affiliates	42,558	-	42,558
Patient outreach	71,604	-	71,604
Registry	147	-	147
Summit	<u>96,054</u>	<u>-</u>	<u>96,054</u>
Total program	751,109	-	751,109
Management and general	246,258	-	246,258
Fundraising	<u>112,609</u>	<u>-</u>	<u>112,609</u>
Total operating expenses	1,109,976	-	1,109,976
CHANGE IN NET ASSETS	522,400	(5,000)	517,400
NET ASSETS, beginning of year	<u>3,009,784</u>	<u>5,000</u>	<u>3,014,784</u>
NET ASSETS, end of year	<u>\$ 3,532,184</u>	<u>\$ -</u>	<u>\$ 3,532,184</u>

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Public support:			
Contributions	\$ 1,015,211	\$ 5,000	\$ 1,020,211
Contributions in kind	11,732	-	11,732
Special events revenue	165,378	-	165,378
Less costs of direct benefits to donors	(31,207)	-	(31,207)
Total public support	1,161,114	5,000	1,166,114
Investment income:			
Interest and dividends	51,381	-	51,381
Realized gain on investments	1,661	-	1,661
Unrealized loss on investments	(62,574)	-	(62,574)
Total investment loss	(9,532)	-	(9,532)
Total revenues	1,151,582	5,000	1,156,582
Released from restriction	38,118	(38,118)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,189,700	(33,118)	1,156,582
OPERATING EXPENSES			
Program:			
Advocacy	60,365	-	60,365
Physician and patient education	247,791	-	247,791
Research	664,466	-	664,466
Total program	972,622	-	972,622
Management and general	193,293	-	193,293
Fundraising	7,526	-	7,526
Total operating expenses	1,173,441	-	1,173,441
Excess revenues over expenses	16,259	(33,118)	(16,859)
Loss on disposal of property and equipment	(8,469)	-	(8,469)
CHANGE IN NET ASSETS	7,790	(33,118)	(25,328)
NET ASSETS, beginning of year	3,001,994	38,118	3,040,112
NET ASSETS, end of year	3,009,784	5,000	3,014,784

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM							SUPPORT			Organization Total	
	Advocacy	Physician and Patient Education	Research	Affiliates	Patient Outreach	Registry	Summit	Total	Management and General	Fundraising		Total
Salaries and wages	\$ 19,885	\$ 45,637	\$ -	\$ 9,752	\$ 44,822	\$ -	\$ 18,010	\$ 138,106	\$ 66,418	67,124	\$ 133,542	\$ 271,648
Employee benefits	523	1,200	-	256	1,179	-	474	3,632	1,748	1,765	3,513	7,145
Payroll taxes	1,521	3,491	-	746	3,429	-	1,378	10,565	5,081	5,135	10,216	20,781
Accounting	3,275	1,935	247	1,507	561	-	3,649	11,174	7,449	847	8,296	19,470
Advertising	2,875	2,875	-	-	-	-	-	5,750	-	-	-	5,750
Bank fees	-	-	-	-	-	-	-	-	565	-	565	565
Consulting	53,661	31,711	4,052	24,693	9,188	-	59,786	183,091	122,060	13,878	135,938	319,029
Depreciation	180	413	-	88	406	-	163	1,250	601	608	1,209	2,459
Dues and subscriptions	-	1,326	-	-	-	-	-	1,326	1,326	-	1,326	2,652
Education programs	-	108,473	-	-	-	-	-	108,473	-	-	-	108,473
Grants	-	-	153,550	-	-	-	-	153,550	-	-	-	153,550
Insurance	303	695	-	148	682	-	274	2,102	1,011	1,022	2,033	4,135
Internet service	46	105	-	22	103	-	41	317	153	154	307	624
Legal	4,739	2,801	358	2,181	811	-	5,280	16,170	10,781	1,226	12,007	28,177
Mailing programs	-	2,198	-	-	-	-	-	2,198	-	-	-	2,198
Meetings and conferences	1,233	3,813	-	-	-	-	-	5,046	-	561	561	5,607
Miscellaneous	-	-	-	-	-	-	-	-	781	-	781	781
Moving expenses	554	-	-	147	1,798	147	710	3,356	3,328	3,549	6,877	10,233
Office supplies	1,744	4,002	-	855	3,931	-	1,579	12,111	5,824	5,887	11,711	23,822
Outside services	1,530	904	116	704	262	-	1,705	5,221	3,877	-	3,877	9,098
Postage	891	8,017	-	-	-	-	-	8,908	-	-	-	8,908
Printing	1,746	15,711	-	-	-	-	-	17,457	-	-	-	17,457
Processing fees	-	-	-	-	-	-	-	-	6,323	4,216	10,539	10,539
Professional fees	1,171	693	88	539	200	-	1,306	3,997	2,665	302	2,967	6,964
Rent	1,262	2,897	-	619	2,845	-	1,143	8,766	4,217	4,260	8,477	17,243
Telephone	293	671	-	143	660	-	265	2,032	975	988	1,963	3,995
Travel	22,137	22,137	-	-	-	-	-	44,274	-	-	-	44,274
Utilities	322	739	-	158	726	-	292	2,237	1,075	1,087	2,162	4,399
Total functional expenses	\$ 119,891	\$ 262,444	\$ 158,411	\$ 42,558	\$ 71,604	\$ 147	\$ 96,054	\$ 751,109	\$ 246,258	\$ 112,609	\$ 358,867	\$ 1,109,976

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM				SUPPORT			Organization Total
	Advocacy	Physician and Patient Education	Research	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 44,831	\$ 149,435	\$ -	\$ 194,266	\$ 12,809	\$ 6,404	\$ 19,213	\$ 213,479
Employee benefits	777	2,590	-	3,367	222	111	333	3,700
Payroll taxes	3,429	11,432	-	14,861	981	490	1,471	16,332
Accounting	-	-	-	-	12,764	-	12,764	12,764
Bank fees	-	-	-	-	556	-	556	556
Consulting	-	-	-	-	73,514	-	73,514	73,514
Depreciation	706	1,058	-	1,764	1,764	-	1,764	3,528
Dues and subscriptions	-	-	-	-	742	-	742	742
Education programs	-	43,319	-	43,319	-	-	-	43,319
Grants	-	-	664,466	664,466	-	-	-	664,466
Insurance	-	-	-	-	2,872	-	2,872	2,872
Internet service	95	95	-	190	-	-	-	190
Legal	-	-	-	-	38,663	-	38,663	38,663
Mailing programs	-	1,154	-	1,154	-	-	-	1,154
Meetings and conferences	1,145	3,539	-	4,684	-	521	521	5,205
Miscellaneous	-	-	-	-	623	-	623	623
Office supplies	3,247	3,247	-	6,494	722	-	722	7,216
Outside services	-	-	-	-	2,306	-	2,306	2,306
Postage	1,459	13,129	-	14,588	-	-	-	14,588
Printing	1,494	13,443	-	14,937	-	-	-	14,937
Processing fees	-	-	-	-	8,090	-	8,090	8,090
Professional fees	-	-	-	-	21,634	-	21,634	21,634
Rent	-	-	-	-	11,986	-	11,986	11,986
Telephone	308	2,476	-	2,784	309	-	309	3,093
Travel	2,874	2,874	-	5,748	-	-	-	5,748
Utilities	-	-	-	-	2,736	-	2,736	2,736
Total functional expenses	\$ 60,365	\$ 247,791	\$ 664,466	\$ 972,622	\$ 193,293	\$ 7,526	\$ 200,819	\$ 1,173,441

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 517,400	\$ (25,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	(5,004)	(11,732)
Depreciation	2,459	3,528
Loss on disposal of property and equipment	-	8,469
Realized gain on investments	-	(1,661)
Unrealized loss on investments	112	62,574
(Increase) decrease in:		
Pledges receivable	5,000	33,118
Accrued interest receivable	(202)	17,593
Deposits	(856)	-
Increase (decrease) in:		
Accounts payable	17,670	5,477
Grants payable	(67,462)	67,462
NET CASH PROVIDED BY OPERATING ACTIVITIES	469,117	159,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturity of investments	1,528,198	1,345,979
Purchase of investments	(1,665,461)	(1,209,712)
Purchase of property and equipment	(1,382)	(6,600)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(138,645)	129,667
NET INCREASE IN CASH	330,472	289,167
CASH, beginning of year	483,820	194,653
CASH, end of year	\$ 814,292	\$ 483,820

See accompanying notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies

Nature of activities

The Pulmonary Fibrosis Foundation (the Organization) works to help find a cure for pulmonary fibrosis while improving the quality of life of those affected by the disease. The Organization provides educational lectures, workshops, a national registry of patients, and funding for research and treatment of pulmonary fibrosis. The Organization received 88% and 100% of its total revenues for the years ended December 31, 2010 and 2009, respectively, from contributions and special events.

Basis of accounting

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 represent the portion of expendable net assets that are available for operations.

Temporarily Restricted, which represent a portion of funds restricted by the donors for medical research to find a cure for pulmonary fibrosis.

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 and debt securities 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 recorded at the fair value as of the date of contribution. 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.

Pledges receivable

The Organization reports receivables at net realizable value. Management determines an allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. As of December 31, 2010 and 2009, management has determined that no allowance for doubtful accounts is deemed necessary.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

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.

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.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. 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).

Functional allocation of expenses

In the statements of functional expenses, the costs which are directly associated with a particular program or supporting service are allocated directly 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, 2009 have been reclassified for presentation purposes. Investments in certificates of deposit were reclassified from cash to short-term investments.

Subsequent events

Subsequent events were evaluated through June 10, 2011, which is the date the financial statements were available to be issued.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE B – 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.

Fair values for equities and fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for certificates of deposits are determined by cost plus interest accrued.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE B – Fair value measurements, continued

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

	<u>Fair Value Measurements at December 31, 2010 Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Certificates of deposit	\$ -	\$ 1,671,365	\$ -	\$ 1,671,365
Fixed income securities:				
U.S. Treasury bills	<u>1,033,900</u>	<u>-</u>	<u>-</u>	<u>1,033,900</u>
Total fixed income securities	<u>1,033,900</u>	<u>-</u>	<u>-</u>	<u>1,033,900</u>
Equities:				
U.S. Common Stocks				
Healthcare	<u>14,370</u>	<u>-</u>	<u>-</u>	<u>14,370</u>
Other equities	<u>5,182</u>	<u>-</u>	<u>-</u>	<u>5,182</u>
Total equities	<u>19,552</u>	<u>-</u>	<u>-</u>	<u>19,552</u>
	<u>\$ 1,053,452</u>	<u>\$ 1,671,365</u>	<u>\$ -</u>	<u>\$ 2,724,817</u>

	<u>Fair Value Measurements at December 31, 2009 Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Money market funds	\$ 234	\$ -	\$ -	\$ 234
Certificates of deposit	-	1,179,526	-	1,179,526
Fixed income securities:				
U.S. Treasury bills	<u>1,377,900</u>	<u>-</u>	<u>-</u>	<u>1,377,900</u>
Total fixed income securities	<u>1,377,900</u>	<u>-</u>	<u>-</u>	<u>1,377,900</u>
Equities:				
U.S. Common Stocks				
Healthcare	<u>15,286</u>	<u>-</u>	<u>-</u>	<u>15,286</u>
Information technology	<u>9,716</u>	<u>-</u>	<u>-</u>	<u>9,716</u>
Total equities	<u>25,002</u>	<u>-</u>	<u>-</u>	<u>25,002</u>
	<u>\$ 1,403,136</u>	<u>\$ 1,179,526</u>	<u>\$ -</u>	<u>\$ 2,582,662</u>

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE C – Concentration of credit risk

The Organization maintains its cash at several financial institutions. Non-interest bearing transaction accounts at each institution are fully insured by the Federal Deposit Insurance Corporation (FDIC). All other deposit accounts at FDIC-insured institutions are insured up to \$250,000 per institution. 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. As of December 31, 2010 and 2009, the Organization's uninsured cash balances totaled \$4,580 and \$1,882, respectively.

NOTE D – Concentrations of funding sources

Approximately 21% of the Organization's total revenues and other support came from four donors for the year ended December 31, 2010 and 27% came from three donors for the year ended December 31, 2009.

NOTE E – Pledges receivable

The Organization has received several letters of intent to contribute to the medical research needed to find a cure for pulmonary fibrosis. The total amount of these pledges receivable was \$0 as of December 31, 2010 and \$5,000 as of December 31, 2009. The difference between the actual amount to be received and the present value of the pledge is immaterial; therefore, no adjustment has been made.

NOTE F – Property and equipment

The costs of the Organization's property and equipment as of December 31 were as follows:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Computer hardware and software	\$ 13,334	\$ 11,952
Less accumulated depreciation	<u>(7,952)</u>	<u>(5,493)</u>
	<u>\$ 5,382</u>	<u>\$ 6,459</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$2,459 and \$3,528, respectively.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE G – Uncertain tax positions

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. During the years ended December 31, 2010 and 2009, the Organization did not have any unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, including its tax exempt status, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Exempt Organization Business Income Tax Returns (Form 990-T) for the years ended December 31, 2009, 2008, and 2007 are subject to examination by the IRS, generally for three years after they were filed.

It is the Organization's policy to include any penalties and interest related to income taxes in management and general expenses, however, the Organization has no penalties or interest related to income taxes.

NOTE H –Temporarily restricted net assets

The following items were temporarily restricted as of December 31 due to either use or time restrictions:

	<u>2010</u>	<u>2009</u>
Pledges receivable	\$ -	\$ 5,000

NOTE I –Contributions in kind

Donations of materials are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions upon which they depend are substantially met. During the years ended December 31, 2010 and 2009, the Organization received donated stock valued at \$5,004 and \$11,732, respectively.

NOTE J –Lease obligation and rental expense

The Organization entered into a lease for office space at 1332 N. Halsted, Chicago, IL, effective February 23, 2005 that expired March 31, 2010.

The Organization entered into a lease for office space at 811 W. Evergreen, Chicago, IL, effective February 23, 2010 that expires August 31, 2012. The Organization entered into a new lease for a different office space located at 811 W. Evergreen, Chicago, IL, effective May 1, 2011 that expires June 30, 2015. The original lease at this location was voided when the Organization entered into the new lease.

PULMONARY FIBROSIS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE J – Lease obligation and rental expense, continued

Rental expense on all leases for the years ended December 31, 2010 and 2009 was \$17,243 and \$11,986 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 in effect as of December 31, 2010 are as follows:

Year ended December 31,

2011	\$ 21,248
2012	45,360
2013	45,360
2014	46,716
2015	<u>23,358</u>
	<u>\$ 182,042</u>

NOTE K – 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 for the years ended December 31 was as follows:

	<u>2010</u>			<u>2009</u>		
	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Phil Swire Golf						
Memorial Event \$	27,380	\$ 10,016	\$ 17,364	\$ -	\$ -	\$ -
Garden State 5K						
2009	25,000	-	25,000	11,044	330	10,714
Routine 5K	24,786	-	24,786	-	-	-
Garden State 5K						
2010	23,378	375	23,003	-	-	-
Bike Run and						
Picnic	16,120	320	15,800	12,411	-	12,411
Drive to a Cure						
Golf Event	-	-	-	34,290	14,546	19,744
SAL-abration	-	-	-	22,180	8,180	14,000
Paddle Out						
Pulmonary						
Fibrosis	-	-	-	20,846	1,039	19,807
Other events for						
2010 and 2009	<u>193,324</u>	<u>16,784</u>	<u>176,540</u>	<u>64,607</u>	<u>7,112</u>	<u>57,495</u>
	<u>\$ 309,988</u>	<u>\$ 27,495</u>	<u>\$ 282,493</u>	<u>\$ 165,378</u>	<u>\$ 31,207</u>	<u>\$ 134,171</u>