

**PULMONARY  
FIBROSIS FOUNDATION**

***FINANCIAL  
STATEMENTS***

***FOR THE  
YEARS ENDED  
DECEMBER 31,  
2011 AND 2010***

**PULMONARY FIBROSIS FOUNDATION**

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*Certified Public Accountants and Advisers*

## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Pulmonary Fibrosis Foundation  
Chicago, Illinois

We have audited the accompanying statements of financial position of Pulmonary Fibrosis Foundation (an Illinois not-for-profit corporation) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Organization'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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pulmonary Fibrosis Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

June 22, 2012

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**PULMONARY FIBROSIS FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

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	<u>DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 918,742	\$ 814,292
Certificates of deposit	1,381,364	1,671,365
Contributions receivable	102,900	-
Prepaid expenses	16,850	-
Interest receivable	7,264	7,264
	<u>2,427,120</u>	<u>2,492,921</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,427,120</b>	<b>2,492,921</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>12,298</b>	<b>5,382</b>
<b>OTHER ASSETS</b>		
Investments	1,067,623	1,053,452
Deposits	4,255	3,576
	<u>1,071,878</u>	<u>1,057,028</u>
<b>TOTAL OTHER ASSETS</b>	<b>1,071,878</b>	<b>1,057,028</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,511,296</b>	<b>\$ 3,555,331</b>

*See accompanying notes to financial statements.*

**PULMONARY FIBROSIS FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

---

	<u>DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 100,552	\$ 23,147
Accrued liabilities	<u>51,764</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>152,316</u>	<u>23,147</u>
<b>TOTAL LIABILITIES</b>	152,316	23,147
<b>NET ASSETS</b>		
Unrestricted	3,261,706	3,532,184
Temporarily restricted	<u>97,274</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>3,358,980</u>	<u>3,532,184</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,511,296</u>	<u>\$ 3,555,331</u>

*See accompanying notes to financial statements.*

# PULMONARY FIBROSIS FOUNDATION

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public support:			
Contributions	\$ 1,127,482	\$ 230,764	\$ 1,358,246
Contributions in kind	82,817	-	82,817
Private grants	55,000	20,000	75,000
Special events revenue	434,096	-	434,096
Total public support	1,699,395	250,764	1,950,159
Program service fees:			
Registration	70,555	-	70,555
Total program service fees	70,555	-	70,555
Other revenues:			
Sponsorship	164,300	-	164,300
Sale of goods	11,721	-	11,721
Miscellaneous	2,256	-	2,256
Total other revenues	178,277	-	178,277
Investment income:			
Interest and dividends	57,768	-	57,768
Unrealized loss on investments	(1,645)	-	(1,645)
Total investment income	56,123	-	56,123
Total revenues	2,004,350	250,764	2,255,114
Released from restriction	153,490	(153,490)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>2,157,840</b>	<b>97,274</b>	<b>2,255,114</b>

See accompanying notes to financial statements.

# PULMONARY FIBROSIS FOUNDATION

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Program:			
Advocacy	122,676	-	122,676
Physician and patient education	119,480	-	119,480
Research	364,254	-	364,254
Affiliates	25,745	-	25,745
Patient outreach	114,450	-	114,450
Registry	25,084	-	25,084
Summit	913,718	-	913,718
Total program	1,685,407	-	1,685,407
Management and general	348,943	-	348,943
Fundraising	391,323	-	391,323
Total operating expenses	2,425,673	-	2,425,673
Loss on disposal of property and equipment	<u>(2,645)</u>	<u>-</u>	<u>(2,645)</u>
CHANGE IN NET ASSETS	(270,478)	97,274	(173,204)
NET ASSETS, beginning of year	<u>3,532,184</u>	<u>-</u>	<u>3,532,184</u>
NET ASSETS, end of year	<u>\$ 3,261,706</u>	<u>\$ 97,274</u>	<u>\$ 3,358,980</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>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public support:			
Contributions	\$ 1,277,089	\$ -	\$ 1,277,089
Contributions in kind	5,004	-	5,004
Special events revenue	<u>309,988</u>	<u>-</u>	<u>309,988</u>
Total public support	1,592,081	-	1,592,081
Investment income:			
Interest and dividends	62,902	-	62,902
Unrealized loss on investments	<u>(112)</u>	<u>-</u>	<u>(112)</u>
Total investment loss	<u>62,790</u>	<u>-</u>	<u>62,790</u>
Total revenues	1,654,871	-	1,654,871
Released from restriction	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	1,659,871	(5,000)	1,654,871

*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>
<b>OPERATING EXPENSES</b>			
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	71,603	-	71,603
Registry	147	-	147
Summit	<u>96,055</u>	<u>-</u>	<u>96,055</u>
Total program	751,109	-	751,109
Management and general	246,258	-	246,258
Fundraising	<u>140,104</u>	<u>-</u>	<u>140,104</u>
Total operating expenses	1,137,471	-	1,137,471
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>
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 FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM										SUPPORT	
	Advocacy	Physician and Patient Education	Research	Affiliates	Patient Outreach	Registry	Summit	Program Services Total	Management and General	Fundraising	Support Total	Organizational Total
Salaries and wages	\$ 50,295	\$ 61,172	\$ 66,462	\$ 16,396	\$ 74,973	\$ 15,019	\$ 209,305	\$ 493,622	\$ 73,463	\$ 98,463	\$ 171,926	\$ 665,548
Employee benefits	2,584	1,057	-	-	4,875	2,379	3,965	14,860	10,811	10,015	20,826	35,686
Payroll taxes	3,782	4,600	4,998	1,233	5,637	1,129	14,859	36,238	4,931	7,404	12,335	48,573
Accounting	-	-	-	-	-	-	-	-	17,400	-	17,400	17,400
Advertising	1,625	2,596	775	-	405	-	30,419	35,820	19,949	7,409	27,358	63,178
Bank fees	-	-	11	-	-	-	-	11	2,258	-	2,258	2,269
Consulting	23,012	697	12,269	-	11,229	60	207,317	254,584	119,613	84,646	204,259	458,843
Contributions in-kind	2,830	2,952	2,515	405	2,436	413	25,628	37,179	14,607	8,649	23,256	60,435
Depreciation	-	821	-	-	-	-	821	-	1,596	-	1,596	2,417
Dues and subscriptions	75	527	900	-	-	-	43	1,545	620	968	1,588	3,133
Education programs	-	-	-	-	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	500	-	-	500	-	-	-	500
Grants	5,000	-	245,715	5,700	-	-	3,000	259,415	-	-	-	259,415
Insurance	-	-	-	-	-	-	709	709	10,249	-	10,249	10,958
Internet service	143	174	189	47	214	43	563	1,373	187	281	468	1,841
Legal	180	-	6,980	-	-	-	520	7,680	9,460	2,876	12,336	20,016
Mailing programs	-	-	-	-	-	-	-	-	-	-	-	-
Meetings and conferences	304	7,712	265	65	335	60	208,162	216,903	5,200	1,637	6,837	223,740
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Moving expenses	-	-	-	-	-	-	-	-	3,738	-	3,738	3,738
Office supplies	5,563	2,127	2,237	535	2,447	541	18,302	31,752	7,652	7,348	15,000	46,752
Organization fees	-	-	-	-	-	-	-	-	10	5,860	5,870	5,870
Outside services	285	23	1,317	-	308	68	83,900	85,901	2,512	13,458	15,970	101,871
Postage	1,244	1,729	1,112	262	1,428	240	17,809	23,824	1,962	24,816	26,778	50,602
Printing	11,503	3,374	-	-	813	-	44,673	60,363	12,928	19,974	32,902	93,265
Processing fees	-	565	-	-	-	-	1,399	1,964	12,437	12,523	24,960	26,924
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-
Rent	1,814	2,206	2,396	591	2,703	542	7,125	17,377	2,365	3,550	5,915	23,292
Special events	-	-	-	-	-	-	-	-	-	69,220	69,220	69,220
Telephone	461	561	609	150	688	138	1,812	4,419	274	925	1,199	5,618
Travel	11,763	27,149	14,401	291	5,141	4,388	33,370	96,503	14,443	10,884	25,327	121,830
Utilities	213	259	282	70	318	64	838	2,044	278	417	695	2,739
<b>Total functional expenses</b>	<b>\$ 122,676</b>	<b>\$ 119,480</b>	<b>\$ 364,254</b>	<b>\$ 25,745</b>	<b>\$ 114,450</b>	<b>\$ 25,084</b>	<b>\$ 913,718</b>	<b>\$ 1,685,407</b>	<b>\$ 348,943</b>	<b>\$ 391,323</b>	<b>\$ 740,266</b>	<b>\$ 2,425,673</b>

See accompanying notes to financial statements.

**PULMONARY FIBROSIS FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM										SUPPORT	
	Advocacy	Physician and Patient Education	Research	Affiliates	Patient Outreach	Registry	Summit	Program Services Total	Management and General	Fundraising	Support Total	Organizational 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
Contributions in-kind	-	-	-	-	-	-	-	-	-	-	-	-
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
Fundraising	-	-	-	-	-	-	-	-	-	-	-	-
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
Special events	-	-	-	-	-	-	265	2,032	-	27,495	27,495.00	27,495.00
Telephone	293	671	-	143	660	-	-	44,274	975	988	1,963	3,995
Travel	22,137	22,137	-	-	-	-	-	-	-	-	-	44,274
Utilities	322	739	-	158	726	-	292	2,237	1,075	1,087	2,162	4,399
<b>Total functional expenses</b>	<b>\$ 119,891</b>	<b>\$ 262,444</b>	<b>\$ 158,411</b>	<b>\$ 42,558</b>	<b>\$ 71,603</b>	<b>\$ 147</b>	<b>\$ 96,055</b>	<b>\$ 751,109</b>	<b>\$ 246,258</b>	<b>\$ 140,104</b>	<b>\$ 386,362</b>	<b>\$ 1,137,471</b>

See accompanying notes to financial statements.

**PULMONARY FIBROSIS FOUNDATION**

**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,	
	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (173,204)	\$ 517,400
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated securities	(15,104)	(5,004)
Donated property and equipment	(7,528)	-
Depreciation	2,417	2,459
Loss on disposal of property and equipment	2,645	-
Unrealized loss on investments	1,645	112
(Increase) decrease in:		
Contributions receivable	(102,900)	5,000
Prepaid expenses	(16,850)	-
Accrued interest receivable	-	(202)
Deposits	(679)	(856)
Increase (decrease) in:		
Accounts payable	77,405	17,670
Accrued expenses	51,764	-
Grants payable	-	(67,462)
	<u>                    </u>	<u>                    </u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(180,389)</b>	<b>469,117</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale or maturity of investments	1,347,847	1,528,198
Purchase of investments	(1,058,558)	(1,665,461)
Purchase of property and equipment	(4,450)	(1,382)
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>284,839</b>	<b>(138,645)</b>
<b>NET INCREASE IN CASH</b>	<b>104,450</b>	<b>330,472</b>
<b>CASH, beginning of year</b>	<b>814,292</b>	<b>483,820</b>
	<u>                    </u>	<u>                    </u>
<b>CASH, end of year</b>	<b>\$ 918,742</b>	<b>\$ 814,292</b>

*See accompanying notes to financial statements.*

# PULMONARY FIBROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### 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 and patient education.

#### 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 fixed income 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.

#### Allowance for doubtful accounts

The Organization recognizes an allowance for losses on accounts 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, 2011 and 2010, management has determined that no allowance for doubtful accounts is deemed necessary.

# PULMONARY FIBROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### Subsequent events

Subsequent events were evaluated through June 22, 2012, which is the date the financial statements were available to be issued.

#### 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).

The Organization is not exempt from income taxes from net income derived from unrelated business activities. During the years ended December 31, 2011 and 2010, the Organization did not have any unrelated business activities. The Organization believes that they have appropriate support for any tax positions taken, including their tax exempt status, and as such, do 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 2008 through the current year 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.

# PULMONARY FIBROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A – Summary of significant accounting policies, continued

#### 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, 2010 have been reclassified for presentation purposes.

### 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.

# PULMONARY FIBROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B – Fair value measurements, continued

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.

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

	<u>Fair Value Measurements at December 31, 2011 Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Money market	\$ 269	\$ -	\$ -	\$ 269
Certificates of deposit	-	1,381,364	-	1,381,364
DFA emerging markets fund	4,017	-	-	4,017
Fixed income securities:				
U.S. Treasury bills	1,033,900	-	-	1,033,900
Equities:				
U.S. Common Stocks				
Healthcare (donated gift)	14,973	-	-	14,973
Technology (donated gift)	14,464	-	-	14,464
Total equities	<u>29,437</u>	<u>-</u>	<u>-</u>	<u>29,437</u>
	<u>\$ 1,067,623</u>	<u>\$ 1,381,364</u>	<u>\$ -</u>	<u>\$ 2,448,987</u>



**PULMONARY FIBROSIS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B – Fair value measurements, continued**

	<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
DFA emerging markets fund	5,182	-	-	5,182
Fixed income securities:				
U.S. Treasury bills	1,033,900	-	-	1,033,900
Equities:				
U.S. Common Stocks				
Healthcare (donated gift)	<u>14,370</u>	<u>-</u>	<u>-</u>	<u>14,370</u>
Total equities	<u>14,370</u>	<u>-</u>	<u>-</u>	<u>14,370</u>
	<u>\$ 1,053,452</u>	<u>\$ 1,671,365</u>	<u>\$ -</u>	<u>\$ 2,724,817</u>

**NOTE C – Property and equipment**

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

	<u>2011</u>	<u>2010</u>
Computer hardware and software	\$ 15,962	\$ 13,334
Less accumulated depreciation	<u>(3,664)</u>	<u>(7,952)</u>
	<u>\$ 12,298</u>	<u>\$ 5,382</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$2,417 and \$2,459, respectively.

**NOTE D – Temporarily restricted net assets**

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

	<u>2011</u>	<u>2010</u>
Patient education	\$ 16,293	\$ -
Research	<u>80,981</u>	<u>-</u>
	<u>\$ 97,274</u>	<u>\$ -</u>

# PULMONARY FIBROSIS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### NOTE D – Temporarily restricted net assets, continued

The following items were released from temporarily restricted net assets during the years ended December 31 due to meeting either use or time restrictions:

	<u>2011</u>	<u>2010</u>
Educational webinar	\$ 25,000	\$ -
IPF Summit	10,498	-
Patient education	3,707	-
Research	<u>114,285</u>	<u>5,000</u>
	<u>\$ 153,490</u>	<u>\$ 5,000</u>

### NOTE E – 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, 2011 and 2010, the Organization received donated stock valued at \$15,104 and \$5,004, respectively, and donated software valued at \$7,528 and \$0, respectively.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended December 31, 2011 and 2010, the Organization received donated consulting services valued at \$15,008 and \$0, respectively, donated marketing services valued at \$28,328 and \$0, respectively, donated rent valued at \$15,936 and \$0, respectively, and other donated services valued at \$1,163 and \$0, respectively.

### NOTE F – Lease obligation and rental expense

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 at the same location 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.

Rental expense on all leases for the years ended December 31, 2011 and 2010 was \$23,292 and \$17,243 respectively. 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**

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**NOTE F – Lease obligation and rental expense, continued**

The estimated future minimum rental and lease obligation for the succeeding years under non-cancelable operating leases in effect as of December 31, 2011 are as follows:

<u>Year ended December 31,</u>	
2012	\$ 45,360
2013	45,360
2014	46,716
2015	<u>23,358</u>
	<u>\$ 160,794</u>

**NOTE G – 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>2011</u>			<u>2010</u>		
	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Peter DeVito Golf						
Memorial Event	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -
Routine 5K	22,000	-	22,000	24,786	-	24,786
2010 Garden						
State 5K	-	-	-	25,000	-	25,000
Other events	<u>387,096</u>	<u>69,220</u>	<u>317,876</u>	<u>193,324</u>	<u>27,495</u>	<u>176,540</u>
	<u>\$ 434,096</u>	<u>\$ 69,220</u>	<u>\$ 364,876</u>	<u>\$ 309,988</u>	<u>\$ 27,495</u>	<u>\$ 282,493</u>