



# Pulmonary Fibrosis Foundation

Financial Statements  
Years Ended June 30, 2018 and 2017

# **Pulmonary Fibrosis Foundation**

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Financial Statements  
Year Ended June 30, 2018 and 2017

# 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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

Chicago, Illinois  
January 11, 2019

## Financial Statements

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# Pulmonary Fibrosis Foundation

## Statements of Financial Position

<i>June 30,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,298,606	\$ 3,840,348
Certificates of deposit	530,718	1,177,533
Accounts receivable	42,552	2,106,070
Contributions receivable	5,749	89,584
Sponsorships receivable	15,500	350,000
Prepaid expenses and other assets	168,939	97,759
<b>Total Current Assets</b>	<b>6,062,064</b>	<b>7,661,294</b>
<b>Property and Equipment, net</b>	<b>77,486</b>	<b>42,331</b>
<b>Other Assets</b>		
Other receivables - long-term	375,000	375,000
Certificates of deposit	-	862,846
Investments	2,263,226	1,547,379
Deposits	56,631	56,631
Intangibles, net	9,774	22,805
Goodwill, net	40,333	45,833
<b>Total Other Assets</b>	<b>2,744,964</b>	<b>2,910,494</b>
<b>Total Assets</b>	<b>\$ 8,884,514</b>	<b>\$ 10,614,119</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 509,870	\$ 199,679
Grants payable	66,811	117,506
Accrued liabilities	976,061	779,955
Deferred revenue	1,203,745	3,802,414
Current portion of capital lease obligation	8,711	-
<b>Total Current Liabilities</b>	<b>2,765,198</b>	<b>4,899,554</b>
<b>Long-Term Liabilities</b>		
Capital lease obligation - long-term	12,676	-
<b>Total Long-Term Liabilities</b>	<b>12,676</b>	<b>-</b>
<b>Total Liabilities</b>	<b>2,777,874</b>	<b>4,899,554</b>
<b>Net Assets</b>		
Unrestricted	3,287,709	2,574,767
Temporarily restricted	2,818,931	3,139,798
<b>Total Net Assets</b>	<b>6,106,640</b>	<b>5,714,565</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,884,514</b>	<b>\$ 10,614,119</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Activities and Change in Net Assets

<i>Year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenues Gains and Other Support</b>			
Public support:			
Contributions	\$ 2,728,629	\$ 91,192	\$ 2,819,821
In-kind contributions	12,041	-	12,041
Sponsorship	374,471	1,991,604	2,366,075
Special events	724,832	122,597	847,429
<b>Total public support</b>	<b>3,839,973</b>	<b>2,205,393</b>	<b>6,045,366</b>
Program service fees:			
Program service revenue	2,717,917	-	2,717,917
Registrations	275,228	-	275,228
<b>Total program service fees</b>	<b>2,993,145</b>	<b>-</b>	<b>2,993,145</b>
Other revenues:			
Sale of goods	13,110	-	13,110
Miscellaneous	1,855	-	1,855
<b>Total other revenues</b>	<b>14,965</b>	<b>-</b>	<b>14,965</b>
Investment income:			
Interest and dividends	69,969	-	69,969
Realized gain on investments	12,590	-	12,590
Unrealized loss on investments	(7,176)	-	(7,176)
<b>Total investment income</b>	<b>75,383</b>	<b>-</b>	<b>75,383</b>
<b>Total Revenue Before Net Assets</b>			
Released from Restriction	6,923,466	2,205,393	9,128,859
<b>Net Assets Released from restriction</b>	<b>2,526,260</b>	<b>(2,526,260)</b>	<b>-</b>
<b>Total Revenues</b>	<b>9,449,726</b>	<b>(320,867)</b>	<b>9,128,859</b>
<b>Expenses</b>			
Program:			
Education	629,722	-	629,722
Legislative advocacy	200,672	-	200,672
Outreach and awareness	716,751	-	716,751
Patient communication center	83,951	-	83,951
PFF Care Center Network	446,684	-	446,684
PFF Patient Registry	2,313,960	-	2,313,960
PFF Summit	752,955	-	752,955
Program support	479,715	-	479,715
Research	238,365	-	238,365
Support groups	302,200	-	302,200
<b>Total program</b>	<b>6,164,975</b>	<b>-</b>	<b>6,164,975</b>
Management and general	943,138	-	943,138
Fundraising	1,628,671	-	1,628,671
<b>Total Expenses</b>	<b>8,736,784</b>	<b>-</b>	<b>8,736,784</b>
<b>Change in Net Assets</b>	<b>712,942</b>	<b>(320,867)</b>	<b>392,075</b>
<b>Net Assets, beginning of year</b>	<b>2,574,767</b>	<b>3,139,798</b>	<b>5,714,565</b>
<b>Net Assets, end of year</b>	<b>\$ 3,287,709</b>	<b>\$ 2,818,931</b>	<b>\$ 6,106,640</b>

*See accompanying notes to financial statements.*



**Pulmonary Fibrosis Foundation**  
**Statements of Activities and Change in Net Assets**

<i>Year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenues Gains and Other Support</b>			
Public support:			
Contributions	\$ 2,425,787	\$ 317,266	\$ 2,743,053
In-kind contributions	5,928	-	5,928
Sponsorship	684,071	2,150,323	2,834,394
Special events	232,379	-	232,379
<b>Total public support</b>	<b>3,348,165</b>	<b>2,467,589</b>	<b>5,815,754</b>
Program service fees	2,841,566	-	2,841,566
Other revenues:			
Sale of goods	7,970	-	7,970
Miscellaneous	1,236	-	1,236
<b>Total other revenues</b>	<b>9,206</b>	<b>-</b>	<b>9,206</b>
Investment income:			
Interest and dividends	11,635	-	11,635
Unrealized gain on investments	47,514	-	47,514
<b>Total investment income</b>	<b>59,149</b>	<b>-</b>	<b>59,149</b>
<b>Total Revenue Before Net Assets</b>			
Released from Restriction	6,258,086	2,467,589	8,725,675
<b>Net Assets Released from restriction</b>	<b>1,131,221</b>	<b>(1,131,221)</b>	<b>-</b>
<b>Total Revenues</b>	<b>7,389,307</b>	<b>1,336,368</b>	<b>8,725,675</b>
<b>Expenses</b>			
Program:			
Education	749,459	-	749,459
Legislative advocacy	39,222	-	39,222
Outreach and awareness	666,620	-	666,620
Patient communication center	38,530	-	38,530
PFF Care Center Network	344,927	-	344,927
PFF Patient Registry	2,228,967	-	2,228,967
PFF Summit	105,139	-	105,139
Program support	451,092	-	451,092
Research	296,682	-	296,682
Support groups	196,325	-	196,325
<b>Total program</b>	<b>5,116,963</b>	<b>-</b>	<b>5,116,963</b>
Management and general	952,395	-	952,395
Fundraising	1,281,060	-	1,281,060
<b>Total Expenses</b>	<b>7,350,418</b>	<b>-</b>	<b>7,350,418</b>
<b>Change in Net Assets</b>	<b>38,889</b>	<b>1,336,368</b>	<b>1,375,257</b>
<b>Net Assets, beginning of year</b>	<b>2,535,878</b>	<b>1,803,430</b>	<b>4,339,308</b>
<b>Net Assets, end of year</b>	<b>\$ 2,574,767</b>	<b>\$ 3,139,798</b>	<b>\$ 5,714,565</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Functional Expenses

For the year ended June 30, 2018	PROGRAM											SUPPORT		TOTAL
	Education	Legislative Advocacy	Outreach and Awareness	Patient				Program Support	Research Grants	Support Groups	Program Total	Management and General	Fundraising	Organizational Total
				Communication Center	PFF Care Center Network	PFF Patient Registry	PFF Summit							
Salaries and wages	\$ 232,925	\$ 113,772	\$ 316,666	\$ 51,669	\$ 152,077	\$ 272,438	\$ 76,990	\$ 120,440	\$ 56,038	\$ 73,128	\$ 1,466,143	\$ 518,254	\$ 906,549	\$ 2,890,946
Employee Benefits	19,490	8,178	25,241	4,096	11,924	21,705	6,432	9,443	4,558	5,839	116,906	61,757	69,777	248,440
Payroll Taxes	16,503	7,264	22,378	3,667	10,782	19,417	5,650	8,403	4,012	5,217	103,293	35,201	62,045	200,539
Accounting	1,908	882	1,947	443	912	2,252	671	942	510	594	11,061	4,389	6,728	22,178
Advertising	1,856	-	-	-	831	1,487	2,631	2,855	-	5	9,665	-	(1,521)	8,144
Bank Fees	-	-	-	-	-	-	-	921	-	-	921	301	390	1,612
Consulting	155,639	21,563	108,271	14,579	135,557	424,711	69,276	138,054	7,431	44,269	1,119,350	11,622	55,143	1,186,115
Depreciation/Amortization	3,101	1,393	4,229	692	2,005	3,715	1,096	14,621	791	997	32,640	11,732	11,685	56,057
Dues and Subscriptions	12,864	955	4,045	-	100	-	-	20,121	-	3,651	41,736	8,579	4,168	54,483
Event Expense	31,848	907	38,092	-	-	6,191	447,037	44,060	-	34,026	602,161	6,955	150,073	759,189
Grants	-	-	-	-	-	-	-	-	136,811	35,500	172,311	-	-	172,311
In-Kind Expense	-	-	-	-	-	-	-	-	-	-	-	12,041	-	12,041
Insurance	3,620	1,596	5,036	806	2,423	4,336	1,238	1,860	934	1,170	23,019	6,301	13,862	43,182
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	1,572	-	1,572
Internet Service	1,314	582	1,765	293	899	1,575	465	2,482	331	424	10,130	2,674	6,592	19,396
Legal	209	3,803	11,093	-	1,733	1,575	2,430	1,098	2,228	876	25,045	13,284	-	38,329
Meetings and Conferences	701	601	700	86	1,321	692	122	2,333	2,216	279	9,051	2,391	3,017	14,459
Miscellaneous	9,504	9,722	5,980	966	46,849	4,849	1,263	8,061	962	12,467	100,623	10,836	38,074	149,533
Occupancy	534	249	741	120	369	629	181	271	128	171	3,393	1,014	2,066	6,473
Office Supplies	2,442	589	1,959	313	2,294	1,726	518	10,122	10,446	450	30,859	8,284	24,857	64,000
Organizational Fees	-	-	-	-	-	-	-	-	-	-	-	3,025	-	3,025
Outside Services	37,145	-	38,508	-	25,870	1,474,783	52,750	25,629	3,000	14,996	1,672,681	123,318	950	1,796,949
Postage	14,727	12	-	880	4,364	-	8,291	8,670	-	3,918	40,862	3,567	19,266	63,695
Printing	21,285	35	5,300	-	8,816	-	4,512	33,537	-	1,461	74,946	33	36,642	111,621
Processing Fees	1,019	457	1,369	227	631	1,211	382	519	258	324	6,397	4,222	70,400	81,019
Rent	21,090	9,048	28,326	4,660	13,306	24,784	7,192	10,771	4,934	6,558	130,669	41,481	78,231	250,381
Shop PFF Merchandise	1,572	-	2,253	-	-	-	-	-	-	3,826	7,651	7,352	-	15,003
Telephone	2,034	862	2,712	454	1,318	2,409	662	1,050	475	635	12,611	7,789	7,309	27,709
Travel	36,392	18,202	90,140	-	22,303	43,475	63,166	13,452	2,302	51,419	340,851	35,164	62,368	438,383
<b>Total Functional Expenses</b>	<b>\$ 629,722</b>	<b>\$ 200,672</b>	<b>\$ 716,751</b>	<b>\$ 83,951</b>	<b>\$ 446,684</b>	<b>\$ 2,313,960</b>	<b>\$ 752,955</b>	<b>\$ 479,715</b>	<b>\$ 238,365</b>	<b>\$ 302,200</b>	<b>\$ 6,164,975</b>	<b>\$ 943,138</b>	<b>\$ 1,628,671</b>	<b>\$ 8,736,784</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Functional Expenses

For the year ended June 30, 2017	PROGRAM										SUPPORT		TOTAL	
	Education	Legislative Advocacy	Outreach and Awareness	Patient Communication Center	PFF Care Center Network	PFF Patient Registry	PFF Summit	Program Support	Research Grants	Support Groups	Program Total	Management and General	Fundraising	Organizational Total
Salaries & Wages	\$ 363,585	\$ -	\$ 263,879	\$ 24,904	\$ 69,138	\$ 316,393	\$ 56,944	\$ 113,677	\$ 61,525	\$ 63,656	\$ 1,333,701	\$ 499,437	\$ 647,500	\$ 2,480,638
Employee Benefits	29,974	-	21,206	2,116	5,339	26,125	4,646	8,226	5,141	5,212	107,985	57,703	54,505	220,193
Payroll Taxes	23,921	-	16,756	1,692	4,292	21,051	3,726	7,786	4,127	4,128	87,479	37,613	55,177	180,269
Accounting	3,629	-	2,301	197	578	2,579	509	1,080	564	633	12,070	4,686	5,993	22,749
Advertising	-	-	-	-	1,667	-	4,100	26,785	-	-	32,552	-	1,741	34,293
Bad Debt	-	-	-	-	-	-	(5,000)	-	-	-	(5,000)	-	-	(5,000)
Bank Fees	-	-	-	-	-	-	-	761	-	-	-	416	323	1,500
Consulting	168,991	24,533	120,187	-	71,255	291,768	24,260	112,422	-	23,751	837,167	31,716	71,850	940,733
Depreciation/Amortization	4,846	-	3,228	335	855	4,168	743	14,584	823	831	30,413	12,347	8,537	51,297
Dues and Subscriptions	1,661	1,490	500	-	465	60	-	2,564	-	-	6,740	7,356	1,477	15,573
Event Expense	18,022	-	3,165	-	-	88,882	-	4,983	-	1,213	116,265	8,234	133,452	257,951
Grants	-	-	6,000	-	-	-	-	-	200,000	17,250	223,250	-	-	223,250
In-Kind Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	5,928
Insurance	4,177	-	2,855	325	772	3,799	667	1,374	736	731	15,436	6,028	7,560	29,024
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	570	-	570
Internet Service	1,473	7	1,729	133	338	1,647	293	832	325	323	7,100	2,295	3,249	12,644
Legal	-	3,668	24,660	-	2,835	6,560	2,880	1,620	4,118	-	46,341	28,878	3,173	78,392
Meetings and Conferences	2,180	37	1,041	67	172	893	152	593	169	181	5,485	4,312	3,883	13,680
Miscellaneous	4,062	-	4,418	272	8,899	3,942	641	7,833	2,207	21,739	54,013	27,862	23,127	105,002
Occupancy	1,778	-	1,171	116	368	1,747	290	552	303	286	6,611	3,116	3,103	12,830
Office Supplies	853	-	1,938	107	312	1,493	237	11,760	8,751	257	25,708	9,303	18,298	53,939
Organizational Fees	-	-	-	-	-	-	-	-	-	-	-	3,060	-	3,060
Outside Services	14,912	-	15,695	-	164,000	1,384,317	325	44,838	-	-	1,624,087	98,059	30,104	1,752,250
Postage	11,346	10	1,302	5,455	87	29,463	-	15,177	-	5,950	68,790	2,490	29,261	100,541
Printing	29,931	-	5,040	-	-	-	868	39,805	-	-	75,644	3,591	14,756	93,991
Processing Fees	1,818	-	1,398	123	316	1,393	276	1,326	306	337	7,293	1,457	41,015	49,765
Rent	34,293	-	26,484	2,522	6,407	31,266	5,560	12,654	6,156	6,189	131,531	48,078	63,588	243,197
Shop PFF Merchandise	4,319	-	-	-	-	-	-	-	-	-	8,470	6,569	-	15,039
Telephone	1,927	-	3,347	166	430	2,046	379	1,079	423	435	10,232	9,013	4,373	23,618
Travel	21,761	9,477	138,320	-	6,402	9,375	2,643	18,781	1,008	39,072	246,839	32,278	54,385	333,502
<b>Total Functional Expenses</b>	<b>\$ 749,459</b>	<b>\$ 39,222</b>	<b>\$ 666,620</b>	<b>\$ 38,530</b>	<b>\$ 344,927</b>	<b>\$ 2,228,967</b>	<b>\$ 105,139</b>	<b>\$ 451,092</b>	<b>\$ 296,682</b>	<b>\$ 196,325</b>	<b>\$ 5,116,963</b>	<b>\$ 952,395</b>	<b>\$ 1,281,060</b>	<b>\$ 7,350,418</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Cash Flows

<i>Year ended June 30,</i>	2018	2017
<b>Operating Activities</b>		
Change in net assets	\$ 392,075	\$ 1,375,257
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	56,056	51,297
Loss on disposal of fixed assets	-	280
Realized gain on investments	(12,590)	-
Unrealized loss (gain) on investments	7,176	(47,514)
Donated securities	(100,072)	(66,861)
Deferred rent	(4,243)	(1,376)
Changes in operating assets and liabilities		
Accounts receivable	2,063,518	(2,106,070)
Contributions receivable	83,835	567
Pledges receivable	-	20,000
Sponsorships receivable	334,500	(345,000)
Other receivables	-	(375,000)
Prepaid expenses	(66,937)	16,974
Deposits	-	(40,191)
Accounts payable	310,191	160,425
Grants payable	(50,695)	(2,494)
Accrued liabilities	196,106	410,980
Deferred revenue	(2,598,669)	1,935,270
<b>Net cash provided by operating activities</b>	<b>610,251</b>	<b>986,544</b>
<b>Investing Activities</b>		
Proceeds from sale of investments	4,359,071	10,227
Purchases of investments	(3,459,771)	(1,269,316)
Purchases of property and equipment	(43,680)	(18,787)
<b>Net cash provided by (used in) investing activities</b>	<b>855,620</b>	<b>(1,277,876)</b>
<b>Financing Activities</b>		
Repayment of capital lease obligation	(7,613)	(9,059)
<b>Net cash used in financing activities</b>	<b>(7,613)</b>	<b>(9,059)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>1,458,258</b>	<b>(300,391)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,840,348</b>	<b>4,140,739</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,298,606</b>	<b>\$ 3,840,348</b>
<b>Cash Paid During the Year for Interest</b>	<b>\$ 1,572</b>	<b>\$ 570</b>
<b>Supplemental Disclosure of Non-Cash Financing and Investing Activities</b>		
Assets acquired under capital lease obligation	\$ 29,000	\$ -

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### 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 (“PFF” or 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 (“U.S. GAAP”) as recommended in the American Institute of Certified Public Accountant’s Audit and Accounting Guide for Not-for-Profit Organizations.

#### *Cash and Cash Equivalents*

The Organization considers highly liquid investments with maturities of three months or less as cash equivalents.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP 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 \$100,072 and \$66,861 for the years ended June 30, 2018 and 2017, respectively. 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.

#### *Contributions Receivable*

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

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *Accounts Receivable*

Accounts receivable consist primarily of amounts due from program service revenue. The balance of accounts receivable was \$42,552 and \$2,106,070 for the years ended June 30, 2018 and 2017, respectively. Approximately \$2,000,000 of the prior year balance relates to a PFF Registry milestone payment, which was invoiced shortly before June 30, 2017. It was collected in this fiscal year and was initially recorded as deferred revenue; subsequently a portion of it has been recognized as unrestricted. Accounts receivable as of June 30, 2018, relates to Strategic Partnership program service revenue and a travel reimbursement from a funder.

### *Contributions 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. Contributions receivable are amounts committed by donors that have not been received by the Organization. These amounts are classified as temporarily restricted until received.

### *Allowance for Doubtful Accounts*

The Organization recognizes an allowance for losses on accounts, 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. There was no allowance for doubtful accounts as of June 30, 2018 or 2017.

### *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, and 5-7 years for equipment and fixtures. 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.

### *Intangibles*

Intangible assets consist of \$65,156 of website development costs incurred 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 five years. Amortization expense was \$13,031 for both years ended June 30, 2018 and 2017.

Amortization expense is expected to be \$9,774 for next year.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *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 educational 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 ten years using the straight-line method at the rate of \$5,500 per year. Goodwill amortization was \$5,500 for both of the years ended June 30, 2018 and 2017, respectively.

Amortization expense is expected to be \$5,500 each year for the next seven years through June 30, 2025. The final year ending June 30, 2026 amortization expense is expected to be \$1,833.

### *Grants Payable*

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

### *Accrued Liabilities*

Accrued liabilities are made up of various expenses including meeting, event, and contractor fees that relate to the years ended June 30, 2018 and 2017.

### *Deferred Revenue*

Deferred revenue consists of PFF Patient Registry and strategic partnership milestone payments for fee for service. Revenue for the PFF Patient Registry is recognized as expenses are incurred. Performance against the deferred revenue balance 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. For the years ended June 30, 2018 and 2017, deferred rent was \$5,620 and \$1,376, respectively, and included in other assets on the Statements of Financial Position.

### *Net Assets*

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 the portion of net assets restricted by the donors for program expenses such as educational materials, outreach and awareness, the PFF

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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Care Center Network, PFF Patient Registry, program support, research grants, and support groups. Upon satisfaction of the restriction, a reclassification is made to unrestricted net assets.

### *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 ("IRC"), 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. The Organization maintains an employee commuter benefits plan, benefits under which are deemed to be unrelated business income as of January 1, 2018. Due to the minimal amount, this unrelated business income tax is not reflected in these financial statements, but will be accounted for on the Organization's Form 990-T. There was no other unrelated business income during the prior fiscal year.

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 June 30, 2018 and 2017.

### *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.



# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *Reclassifications*

Certain items in the financial statements as of and for the year ended June 30, 2017, have been reclassified for presentation purposes. Such reclassification had no impact on the change in net assets.

### *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."* ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major 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. ASU 2016-14 is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of ASU 2016-14 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 ASU 2016-14 on its 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 ASU 2014-09 on its 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

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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available. Management is currently evaluating the impact of ASU 2016-02 on its financial statements.

### *Subsequent Events*

Subsequent events were evaluated through January 11, 2019, which is the date the financial statements were available to be issued. On September 12, 2018, the Organization entered into a contract with a marketing agency to develop and implement an integrated marketing communications campaign over the next three years for a total of \$525,000. Management has determined that no other events or transactions have occurred that would require disclosure in the 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            Quoted prices in active markets for identical investments;
- Level 2            Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); and
- Level 3            Significant unobservable inputs (including assumptions in determining the fair value of investments).

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 years ended June 30, 2018 and 2017.

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# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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

<i>June 30, 2018</i>				
	Level 1	Level 2	Level 3	Total
Money market	\$ 222,434	\$ -	\$ -	\$ 222,434
Certificates of deposit	-	530,718	-	530,718
Mutual funds	2,040,792	-	-	2,040,792
<b>Total</b>	<b>\$ 2,263,226</b>	<b>\$ 530,718</b>	<b>\$ -</b>	<b>\$ 2,793,944</b>

  

<i>June 30, 2017</i>				
	Level 1	Level 2	Level 3	Total
Money market	\$ 1,020,460	\$ -	\$ -	\$ 1,020,460
Certificates of deposit	-	2,040,379	-	2,040,379
Mutual funds	260,646	-	-	260,646
Bonds	5,544	-	-	5,544
Equities:				
U.S. Common Stocks (donated gifts)				
Consumer goods	94,589	-	-	94,589
Healthcare	97,448	-	-	97,448
Financial	8,807	-	-	8,807
Services	6,633	-	-	6,633
Technology	41,341	-	-	41,341
Utilities	11,911	-	-	11,911
<b>Total equities</b>	<b>260,729</b>	<b>-</b>	<b>-</b>	<b>260,729</b>
<b>Total</b>	<b>\$ 1,547,379</b>	<b>\$ 2,040,379</b>	<b>\$ -</b>	<b>\$ 3,587,758</b>

### 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, 2018 and 2017, the Organization has no uninsured cash investment balances at brokerage firms.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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For the years ended June 30, 2018 and 2017, 52% and 59%, respectively, 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, the PFF 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, which are sponsorship revenue, related to the PFF 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 PFF Care Center Network to 60 sites, perform various educational programming within the network, and identify the patients targeted for the PFF Patient Registry. As of June 30, 2017, the significant increase in funding from primary sources is a direct result of the progress of the PFF Patient Registry, which enrolled its first patient in March 2016. As of June 30, 2018 and 2017, enrollment reached 1,994 (99% of enrollment goal) and 1,100, respectively.

The board and management were aware of these concentrations of credit risk when approving these projects and planned for this. During this pilot period, the organization is increasing other revenue streams to diversify the funding of the PFF Patient Registry. The board and management felt that the benefit to research and the patient community outweighed the concentration of credit risk sensitivity in the earlier stages of the project.

#### 4. Related-Party Transactions

The Organization received \$355,056 and \$139,065 in contributions from board members for the years ended June 30, 2018 and 2017, respectively, which includes in-kind travel of \$4,448 in 2017. See Note 8.

#### 5. Property and Equipment

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

	2018	2017
Computer hardware and software	\$ 201,183	\$ 154,983
Less accumulated depreciation	(123,697)	(112,652)
<b>Total</b>	<b>\$ 77,486</b>	<b>\$ 42,331</b>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$37,525 and \$32,766, respectively.

#### 6. Capital Lease Obligation

The Organization entered into a capital lease to purchase two copiers with Proven Business Systems commencing on August 7, 2017 and expiring on October 7, 2020. The fair market value of the copiers is \$29,000 with accumulated depreciation of \$6,692 as of June 30, 2018. The payments are due in monthly installments of \$835 with an imputed annual interest rate of 7.5%.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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

	2018	2017
2018	\$ -	\$ 9,185
2019	10,020	10,020
2020	10,020	10,020
2021	3,340	3,340
Less imputed interest on capital leases	(1,993)	(3,564)
<b>Total</b>	<b>\$ 21,387</b>	<b>\$ 29,001</b>

### 7. Temporarily Restricted Net Assets

The following items were temporarily restricted as of June 30, 2018 and 2017, due to either use or time restrictions:

	2018	2017
PFF Care Center Network	\$ 1,018,398	\$ 932,824
Education	867,798	671,459
Outreach and Awareness	459,508	407,286
Support Groups	174,645	304,070
Research Grants	135,918	10,918
Other	132,597	36,183
PFF Patient Registry	15,287	227,310
Program Support	14,780	72,811
PFF Summit	-	476,937
<b>Total</b>	<b>\$ 2,818,931</b>	<b>\$ 3,139,798</b>

The following items were released from temporarily restricted net assets during the years ended June 30, 2018 and 2017 due to meeting either use or time restrictions:

	2018	2017
Education	\$ 559,292	\$ 301,133
PFF Care Center Network	514,426	362,453
PFF Summit	476,937	5,000
Outreach and Awareness	339,028	191,478
Support Groups	295,340	131,851
PFF Patient Registry	252,023	106,275
Program Support	63,031	13,031
Other	26,183	-
Research Grants	-	20,000
<b>Total</b>	<b>\$ 2,526,260</b>	<b>\$ 1,131,221</b>

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### 8. Contributions In-Kind

The Organization received donated software of \$12,041 for the year ended June 30, 2018, and donated software and travel of \$1,479 and \$4,448, respectively, during the year ended June 30, 2017. 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 agreement for office space at 230 East Ohio Street, Suite 500, Chicago, IL, commencing August 1, 2016 and extending through November 2022. Rental expense on all leases for the years ended June 30, 2018 and 2017 was \$250,381 and \$243,197, 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 is as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2019	\$ 257,373
2020	218,698
2021	245,863
2022	250,927
Thereafter	115,104
<b>Total</b>	<b>\$ 1,087,965</b>

### 10. Commitments

The Organization has entered into agreements with hotels to hold future 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):

	<i>Amount</i>
November 2018 - Annual Volunteer Meeting, Chicago, IL	\$ 62,133
November 2019 - PFF Summit, San Antonio, TX	118,186
November 2021 - PFF Summit, Chicago, IL	156,122
<b>Total</b>	<b>\$ 336,441</b>

# 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 for the years ended June 30, 2018 and 2017:

Event	Unrestricted Revenue	Temporarily Restricted Revenue	Total Revenue	Expense	Net
PFF Walk FY17-18	\$ 371,280	\$ -	\$ 371,280	\$ 162,857	\$ 208,423
PFF Walk FY18-19	-	122,597	122,597	-	122,597
Broadway Belts! FY17-18	353,552	-	353,552	214,710	138,842
Total Revenue FY17-18	\$ 724,832	\$ 122,597	\$ 847,429	\$ 377,567	\$ 469,862
Broadway Belts! FY16-17	\$ 232,379	\$ -	\$ 232,379	\$ 177,928	\$ 54,451

During the fiscal year, the Organization began a nationwide PFF Walk Program, which transitioned two walks from third-party events into PFF special events. The PFF Walk-Chicago and PFF Walk-New York both fall under the PFF Walk umbrella for this fiscal year. Additionally, temporarily restricted PFF Walk-Chicago FY17-18 revenue of \$26,183 was reflected on prior year financial statements as temporarily restricted donations and released in the current year. Broadway Belts remains a PFF special event.

During the years ended June 30, 2018 and 2017, the Organization also 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.

### 12. Retirement Plan

The Organization provides a 401(k)-salary reduction plan that covers all full-time employees and part-time employees who work 1,000 hours in a single year. Contributions are made by the employees at an amount or percentage of their salary not to exceed applicable Internal Revenue Service limits. The Organization contributes 3% of the employee's base salary into the Plan, irrespective of the employee's level of deferral. The Organization made employer contributions to the plan of \$75,644 and \$68,297 for the years ended June 30, 2018 and 2017, respectively.