



**Pulmonary Fibrosis Foundation**  
Financial Statements  
Years Ended June 30, 2017 and 2016

# **Pulmonary Fibrosis Foundation**

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Financial Statements  
Years Ended June 30, 2017 and 2016

# Pulmonary Fibrosis Foundation

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Tel: 312-856-9100  
Fax: 312-856-1379  
www.bdo.com

330 N. Wabash Avenue, Suite 3200  
Chicago, IL 60611

## 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, 2017 and 2016, 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 Organization'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 Organization'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, 2017 and 2016, 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, IL  
January 17, 2018

## Financial Statements

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# Pulmonary Fibrosis Foundation

## Statements of Financial Position

<i>June 30,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,840,348	\$ 4,140,739
Certificates of deposit	1,177,533	1,176,341
Accounts receivable	2,106,070	-
Contributions receivable	89,584	90,151
Pledges receivable	-	20,000
Sponsorships receivable, net of allowance	350,000	5,000
Prepaid expenses	96,383	113,357
Deferred rent	1,376	-
<b>Total Current Assets</b>	<b>7,661,294</b>	<b>5,545,588</b>
<b>Property and Equipment, net</b>	<b>42,331</b>	<b>56,590</b>
<b>Other Assets</b>		
Other receivables - long term	375,000	-
Certificates of deposit	862,846	860,262
Investments	1,547,379	177,691
Deposits	56,631	16,440
Website, net	22,805	35,836
Goodwill, net	45,833	51,333
<b>Total Other Assets</b>	<b>2,910,494</b>	<b>1,141,562</b>
	<b>\$ 10,614,119</b>	<b>\$ 6,743,740</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of capital lease obligation	\$ -	\$ 9,059
Accounts payable	199,679	39,254
Grants payable	117,506	120,000
Accrued liabilities	779,955	368,975
Deferred revenue	3,802,414	1,867,144
<b>Total Current Liabilities</b>	<b>4,899,554</b>	<b>2,404,432</b>
<b>Total Liabilities</b>	<b>4,899,554</b>	<b>2,404,432</b>
<b>Net Assets</b>		
Unrestricted	2,574,767	2,535,878
Temporarily restricted	3,139,798	1,803,430
<b>Total Net Assets</b>	<b>5,714,565</b>	<b>4,339,308</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,614,119</b>	<b>\$ 6,743,740</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenue 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 revenue	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:			
Care center network	344,927	-	344,927
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 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>



# Pulmonary Fibrosis Foundation

## Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenue Gains and Other Support</b>			
Public support:			
Contributions	\$ 2,248,270	\$ 176,175	\$ 2,424,445
In-kind contributions	838,359	-	838,359
Sponsorship	1,714,743	1,270,860	2,985,603
Special events revenue	186,341	-	186,341
<b>Total public support</b>	<b>4,987,713</b>	<b>1,447,035</b>	<b>6,434,748</b>
Program service fees:			
Program service revenue	695,431	-	695,431
Registrations	460,665	-	460,665
<b>Total program service fees</b>	<b>1,156,096</b>	<b>-</b>	<b>1,156,096</b>
Other revenues:			
Sale of goods	15,914	-	15,914
Miscellaneous	19,000	-	19,000
<b>Total other revenues</b>	<b>34,914</b>	<b>-</b>	<b>34,914</b>
Investment income:			
Interest and dividends	14,534	-	14,534
Realized gain on investments	271	-	271
Unrealized loss on investments	(6,441)	-	(6,441)
<b>Total investment income</b>	<b>8,364</b>	<b>-</b>	<b>8,364</b>
<b>Total Revenue Before Net Assets</b>			
Released from Restriction	6,187,087	1,447,035	7,634,122
<b>Net Assets Released from restriction</b>	<b>710,508</b>	<b>(710,508)</b>	<b>-</b>
<b>Total Revenues</b>	<b>6,897,595</b>	<b>736,527</b>	<b>7,634,122</b>
<b>Expenses</b>			
Program:			
Care center network	280,866	-	280,866
Education	636,682	-	636,682
Legislative advocacy	12,784	-	12,784
Outreach and awareness	269,585	-	269,585
Patient communication center	38,790	-	38,790
PFF Patient Registry	809,845	-	809,845
PFF Summit	699,806	-	699,806
Program support	1,101,641	-	1,101,641
Research	277,121	-	277,121
Support groups	345,110	-	345,110
<b>Total program</b>	<b>4,472,230</b>	<b>-</b>	<b>4,472,230</b>
Management and general	1,106,218	-	1,106,218
Fundraising	1,309,721	-	1,309,721
<b>Total Expenses</b>	<b>6,888,169</b>	<b>-</b>	<b>6,888,169</b>
<b>Change in Net Assets</b>	<b>9,426</b>	<b>736,527</b>	<b>745,953</b>
<b>Net Assets, beginning of year</b>	<b>2,526,452</b>	<b>1,066,903</b>	<b>3,593,355</b>
<b>Net Assets, end of year</b>	<b>\$ 2,535,878</b>	<b>\$ 1,803,430</b>	<b>\$ 4,339,308</b>

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Functional Expenses

For the year ended June 30, 2017

	PROGRAM										SUPPORT			
	Care Center Network	Education	Legislative Advocacy	Outreach and Awareness	Patient Communication Center	PFF Patient Registry	PFF Summit	Program Support	Research Grants	Support Groups	Program Total	Management and General	Fundraising	Organizational Total
Salaries & wages	\$ 69,138	\$ 363,585	\$ -	\$ 263,879	\$ 24,904	\$ 316,393	\$ 56,944	\$ 113,677	\$ 61,525	\$ 63,656	\$ 1,333,701	\$ 499,437	\$ 647,500	\$ 2,480,638
Employee benefits	5,339	29,974	-	21,206	2,116	26,125	4,646	8,226	5,141	5,212	107,985	57,703	54,505	220,193
Payroll taxes	4,292	23,921	-	16,756	1,692	21,051	3,726	7,786	4,127	4,128	87,479	37,613	55,177	180,269
Accounting	578	3,629	-	2,301	197	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	-	-	761	416	323	1,500
Consulting	71,255	168,991	24,533	120,187	-	291,768	24,260	112,422	-	23,751	837,167	31,716	71,850	940,733
Depreciation/Amortization	855	4,846	-	3,228	335	4,168	743	14,584	823	831	30,413	12,347	8,537	51,297
Dues and subscriptions	465	1,661	1,490	500	-	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	-	5,928
Insurance	772	4,177	-	2,855	325	3,799	667	1,374	736	731	15,436	6,028	7,560	29,024
Interest expense	-	-	-	-	-	-	-	-	-	-	-	570	-	570
Internet service	338	1,473	7	1,729	133	1,647	293	832	325	323	7,100	2,295	3,249	12,644
Legal	2,835	-	3,668	24,660	-	6,560	2,880	1,620	4,118	-	46,341	28,878	3,173	78,392
Meetings and conferences	172	2,180	37	1,041	67	893	152	593	169	181	5,485	4,312	3,883	13,680
Miscellaneous	8,899	4,062	-	4,418	272	3,942	641	7,833	2,207	21,739	54,013	27,862	23,127	105,002
Occupancy	368	1,778	-	1,171	116	1,747	290	552	303	286	6,611	3,116	3,103	12,830
Office supplies	312	853	-	1,938	107	1,493	237	11,760	8,751	257	25,708	9,303	18,928	53,939
Organizational fees	-	-	-	-	-	-	-	-	-	-	-	3,060	-	3,060
Outside services	164,000	14,912	-	15,695	-	1,384,317	325	44,838	-	-	1,624,087	98,059	30,104	1,752,250
Postage	87	11,346	10	1,302	5,455	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	316	1,818	-	1,398	123	1,393	276	1,326	306	337	7,293	1,457	41,015	49,765
Rent	6,407	34,293	-	26,484	2,522	31,266	5,560	12,654	6,156	6,189	131,531	48,078	63,588	243,197
Shop PFF Merchandise	-	4,319	-	-	-	-	-	-	-	4,151	8,470	6,569	-	15,039
Telephone	430	1,927	-	3,347	166	2,046	379	1,079	423	435	10,232	9,013	4,373	23,618
Travel	6,402	21,761	9,477	138,320	-	9,375	2,643	18,781	1,008	39,072	246,839	32,278	54,385	333,502
<b>Total Functional Expenses</b>	<b>\$ 344,927</b>	<b>\$ 749,459</b>	<b>\$ 39,222</b>	<b>\$ 666,620</b>	<b>\$ 38,530</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>

# Pulmonary Fibrosis Foundation

## Statements of Functional Expenses

For the year ended June 30, 2016

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

*See accompanying notes to financial statements.*

# Pulmonary Fibrosis Foundation

## Statements of Cash Flows

<i>Year ended June 30,</i>	2017	2016
<b>Operating Activities</b>		
Change in net assets	\$ 1,375,257	\$ 745,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,297	42,595
Loss on disposal of fixed assets	280	-
Realized gain on investments	-	(271)
Unrealized (gain) loss on investments	(47,514)	6,441
Donated securities	(66,861)	(39,569)
Deferred rent	(1,376)	(4,964)
Bad debt	-	5,000
Changes in operating assets and liabilities		
Accounts receivable	(2,106,070)	-
Contributions receivable	567	(89,618)
Pledges receivable	20,000	22,001
Sponsorships receivable	(345,000)	270,000
Other receivables	(375,000)	25,000
Prepaid expenses	16,974	8,082
Deposits	(40,191)	-
Accounts payable	160,425	(59,400)
Grants payable	(2,494)	(95,000)
Accrued liabilities	410,980	67,852
Deferred revenue	1,935,270	1,725,884
<b>Net cash provided by operating activities</b>	<b>986,544</b>	<b>2,629,986</b>
<b>Investing Activities</b>		
Proceeds from sale of investments	10,227	2,264,418
Purchases of investments	(1,269,316)	(2,040,979)
Purchases of property and equipment	(18,787)	(49,740)
Acquisition of goodwill	-	(55,000)
<b>Net cash (used in) provided by investing activities</b>	<b>(1,277,876)</b>	<b>118,699</b>
<b>Financing Activities</b>		
Repayment of capital lease obligation	(9,059)	(8,790)
<b>Net cash used in financing activities</b>	<b>(9,059)</b>	<b>(8,790)</b>
<b>Net (Decrease) Increase</b>	<b>(300,391)</b>	<b>2,739,895</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>4,140,739</b>	<b>1,400,844</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,840,348</b>	<b>\$ 4,140,739</b>
<b>Cash paid during the year for interest</b>	<b>\$ 570</b>	<b>\$ 665</b>

*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*

Pulmonary Fibrosis Foundation's ("the Organization" or "PFF") 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 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 (GAAP).

#### *Cash and Cash Equivalents*

The Organization considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also includes amounts due from commercial credit card companies, such as Visa, MasterCard, and American Express, which are generally received within a few days of the related transaction and are related to contributions.

#### *Use of Estimates*

The preparation of financial statements in conformity with 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 equity 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 \$66,861 and \$39,569 for the years ended June 30, 2017 and 2016, 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.

#### *Accounts Receivable*

Accounts receivable consists primarily of amounts due from program service revenue. \$2,000,000 of the current year balance relates to a Pulmonary Fibrosis Foundation ("PFF") Registry milestone payment which was invoiced shortly before year end and the remainder is related to Strategic Partnership program service revenue.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *Contributions Receivable*

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

### *Pledges Receivable*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are amounts committed by donors that have not been received by the Organization. These amounts are classified as temporarily restricted until received, unless otherwise restricted by purpose.

### *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 donor 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. At June 30, 2016, a reserve was created for a specific pledge that was deemed uncollectible at year-end. This pledge was subsequently collected and no reserve was deemed necessary at June 30, 2017. As of June 30, 2017 and 2016, the allowance for doubtful accounts was \$0 and \$5,000, respectively.

### *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.

### *Website*

The Organization incurred \$65,156 of website development costs during the year ended December 31, 2014. Under Accounting Standards Codification (ASC) 350, these costs are able to be recognized as an intangible asset, and are being amortized using the straight-line method over five years. Amortization expense was \$13,031 for both years ended June 30, 2017 and 2016.

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

### *Goodwill*

On November 19, 2015, the Organization acquired all rights to the Daughters of Pulmonary Fibrosis program ("the Daughters") from the Coalition for Pulmonary Fibrosis (CPF). The Organization

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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continues to cultivate the Daughters program as one of their signature programs, with an expanded focus on identifying and developing resources for the caregiver community. The cost of the goodwill purchased was \$55,000 to be amortized over the next 10 years using the straight-line method at the rate of \$5,500 per year. Goodwill amortization was \$5,500 and \$3,667 for the years ended June 30, 2017 and 2016, respectively.

Amortization expense is expected to be \$5,500 for each of the next eight years through June 30, 2025. For 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 expenses when they are awarded.

### *Deferred Revenue*

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

### *Deferred Rent*

Rent expense on non-cancelable leases containing known future scheduled rent increases or free rent periods is recorded on a straight-line basis over the respective lease term. The lease term begins when the Organization has the 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 recognized and rent paid is accounted for as deferred rent and is amortized over the lease term. The Organization amended the lease to extend the terms through July 31, 2016. See Note 9 for the new lease signed August 1, 2016.

### *Net Assets*

The net assets of the Organization are classified as follows:

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

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

### *Revenue Recognition*

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

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *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. Currently, the Organization does not have any permanently restricted assets. 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. During the fiscal year 2016, the Organization recognized \$16,900 in unrelated business income pertaining to a profit sharing model with a third party for advertising revenue on their website. The Organization recognized no unrelated business income in the 2017 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 \$19 and \$0 penalties or interest from taxing authorities included in management and general expenses for the years ended June 30, 2017, and 2016, respectively.

### *Functional Allocation of Expenses*

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

### *Reclassifications*

Certain items in the financial statements as of and for the year ended June 30, 2016, have been reclassified for presentation purposes. Such reclassifications had no impact on the change in net assets.



# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### *New Accounting Standard Updates*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 after December 15, 2016, 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 the adoption of this ASU on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of the adoption of this ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of the adoption of this ASU on its financial statements.

### *Subsequent Events*

Subsequent events were evaluated through January 17, 2018, which is the date the financial statements were available to be issued, and management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### 2. Fair Value Measurements

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

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

Level 2            Inputs to the valuation methodology include

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in valuation methodologies during the years ended June 30, 2017 and 2016.

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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, 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	1,911	-	-	11,911
Total equities	260,729	-	-	260,729
	\$ 1,547,379	\$ 2,040,379	\$ -	\$ 3,587,758

<i>June 30, 2016</i>	Level 1	Level 2	Level 3	Total
Money market	\$ 6,985	\$ -	\$ -	\$ 6,985
Certificates of deposit, short-term	-	2,036,603	-	2,036,603
Mutual funds	9,381	-	-	9,381
Bonds	5,038	-	-	5,038
Equities:				
U.S. Common Stocks (donated gifts)				
Consumer goods	39,617	-	-	39,617
Healthcare	61,620	-	-	61,620
Financial	5,068	-	-	5,068
Services	5,568	-	-	5,568
Technology	42,963	-	-	42,963
Utilities	1,451	-	-	1,451
Total equities	156,287	-	-	156,287
	\$ 177,691	\$ 2,036,603	\$ -	\$ 2,214,294

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

The fair value assets are categorized in the statements of financial position as follows:

<i>June 30,</i>	2017	2016
Certificates of deposit - short term	\$ 1,177,533	\$ 1,176,341
Certificates of deposit - long term	862,846	860,262
Investments	1,547,379	177,691
<b>Fair Value of Assets</b>	<b>\$ 3,587,758</b>	<b>\$ 2,214,294</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, 2017 and 2016, the Organization has no uninsured cash investment balances at brokerage firms.

For the years ended June 30, 2017 and 2016, 59% and 40% of total revenue was from two sources, respectively. 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 Care Center Network and associated programs. These contracts contain multiple revenue types, portions of which are fees for services specific to the PFF Patient Registry and other portions which are sponsorship revenue related to the Care Center Network and associated programs. The total of these agreements exceeds \$20 million and will be received over a period of five years. This funding has allowed the Organization to increase the Care Center Network to 40 sites, perform various educational programming within the network and begin enrollment of the targeted 2,000 patients in the PFF Patient Registry. As of June 30, 2017, the significant increase in funding from the Organization's primary sources is a direct result of the progress of the PFF Registry which enrolled its first patient in March, 2016. During the fiscal year, PFF enrolled over 1,100 patients (55% of the total enrollment goal) in the PFF Patient Registry.

The board and management were aware of these concentrations of credit risk at the beginning of the project. During this pilot period, the Organization is increasing other revenue streams to diversify the funding of the PFF Registry. The board and management believes that the benefit to research and the patient community outweighed the concentration of credit risk sensitivity at the beginning of this period. The beliefs of the board and management are included for informational purposes and are unaudited.

# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

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### 4. Related-Party Transactions

The Organization received \$139,065 and \$1,034,556 in contributions from board members for the years ended June 30, 2017 and 2016, respectively, which includes in-kind travel of \$4,448 in 2017 and professional services and travel of \$826,500 in 2016. See Note 8.

### 5. Property and Equipment

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

	2017	2016
Computer hardware and software	\$ 154,983	\$ 138,475
Less accumulated depreciation	(112,652)	(81,885)
	\$ 42,331	\$ 56,590

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Depreciation expense for the years ended June 30, 2017 and 2016 was \$32,766 and \$25,897, respectively.

### 6. Capital Lease Obligation

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

Subsequent to year end, the Organization entered into a new capital lease agreement to purchase two copiers with a combined fair market value of \$29,001. The monthly installments will be \$835 with an imputed interest rate of 7.5%.

Maturities of long term debt are as follows at June 30, 2017:

	Amount
2018	\$ 9,185
2019	10,020
2020	10,020
2021	3,340
Less: imputed interest	(3,564)
<b>Total</b>	<b>\$ 29,001</b>

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# Pulmonary Fibrosis Foundation

## Notes to Financial Statements

### 7. Temporarily Restricted Net Assets

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

<i>June 30,</i>	2017	2016
Care Center Network	\$ 932,824	\$ 595,277
Digital Program Development	22,811	35,843
Education	671,459	378,118
Other	86,183	20,000
Outreach and Awareness	407,286	280,172
PFF Patient Registry	227,310	278,057
PFF Summit	476,937	5,000
Research grants	10,918	10,568
Support groups	304,070	200,395
	<b>\$ 3,139,798</b>	<b>\$ 1,803,430</b>

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

<i>June 30,</i>	2017	2016
Care Center Network	\$ 362,453	\$ 10,749
Digital Program Development	13,031	13,025
Education	301,133	40,000
Other	20,000	2,000
Outreach and Awareness	191,478	-
PFF Patient Registry	106,275	116,700
PFF Summit	5,000	304,044
Research grants	-	19,980
Support groups	131,851	204,010
	<b>\$ 1,131,221</b>	<b>\$ 710,508</b>

### 8. Contributions In-Kind

The Organization received donated software and travel of \$1,480 and \$4,448, respectively, during the year ended June 30, 2017 and professional services, software and travel of \$825,500, \$11,859 and \$1,000, respectively, during the year ended June 30, 2016. 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 effective August 1, 2016 that expires in November 2022. Rental expense on all leases for the years ended June 30, 2017 and 2016, was \$243,197 and \$128,693, 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

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>
2018	\$	251,848
2019		257,373
2020		218,698
2021		245,863
2022		250,927
Thereafter		115,104
	\$	1,339,813

### 10. Commitments

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

November 2017 - PFF Summit in Nashville, TN	\$	451,552
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### 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, 2017 and 2016:

	Revenue	Expense	Net
Broadway Belts! 2017	\$ 232,379	\$ 177,928	\$ 54,451
Broadway Belts! 2016	\$ 186,341	\$ 111,459	\$ 74,882

During the years ended June 30, 2017 and 2016, the Organization had third parties hold special events in honor of the Organization. The net proceeds of each event are remitted by the third parties to the Organization after the event has been completed. These proceeds are recorded as contributions as the events are not held by the Organization.

### 12. Retirement Plan

The Organization has a 401(k) salary reduction plan that covers all full-time employees. Contributions are made by 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 to the Plan, irrespective of the employee's level of deferral. The Organization made employer contributions to the plan of \$68,297 and \$69,810 for the years ended June 30, 2017 and 2016, respectively.