



Pulmonary Fibrosis Foundation

Financial Statements
Years Ended June 30, 2019 and 2018

Pulmonary Fibrosis Foundation

Financial Statements
Years Ended June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
December 2, 2019

Financial Statements

Pulmonary Fibrosis Foundation

Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,197,484	\$ 5,298,606
Certificates of deposit	-	530,718
Accounts receivable	130,017	42,552
Contributions receivable	36,575	5,749
Pledges receivable	750,000	-
Sponsorships receivable	250,000	15,500
Prepaid expenses and other assets	238,896	168,939
Total Current Assets	5,602,972	6,062,064
Property and Equipment, net	69,870	77,486
Other Assets		
Other receivables - long-term	375,000	375,000
Investments	4,710,031	2,263,226
Deposits	56,631	56,631
Intangibles, net	65,130	9,774
Goodwill, net	34,833	40,333
Total Other Assets	5,241,625	2,744,964
Total Assets	\$ 10,914,467	\$ 8,884,514
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 146,519	\$ 509,870
Grants payable	104,311	66,811
Accrued liabilities	1,259,906	976,061
Deferred revenue	1,327,306	1,203,745
Current portion of capital lease obligation	9,388	8,711
Total Current Liabilities	2,847,430	2,765,198
Long-Term Liabilities		
Capital lease obligation - long-term	3,288	12,676
Total Long-Term Liabilities	3,288	12,676
Total Liabilities	2,850,718	2,777,874
Net Assets		
Without donor restrictions	3,871,039	3,287,709
With donor restrictions	4,192,710	2,818,931
Total Net Assets	8,063,749	6,106,640
Total Liabilities and Net Assets	\$ 10,914,467	\$ 8,884,514

See accompanying notes to financial statements.

Pulmonary Fibrosis Foundation

Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Public support:			
Contributions	\$ 3,519,921	\$ 897,829	\$ 4,417,750
In-kind contributions	12,224	-	12,224
Sponsorship	474,560	2,447,124	2,921,684
Special events	1,002,684	139,939	1,142,623
Total public support	5,009,389	3,484,892	8,494,281
Program service fees	2,180,520	-	2,180,520
Other revenues (expenses):			
Sale of goods	14,352	-	14,352
Miscellaneous	734	-	734
Loss on disposal of fixed assets	(495)	-	(495)
Total other revenues	14,591	-	14,591
Investment income:			
Interest and dividends	273,967	-	273,967
Realized gain on investments	2,210	-	2,210
Unrealized loss on investments	(3,392)	-	(3,392)
Total investment income	272,785	-	272,785
Total Revenue Before Net Assets			
Released from Restriction	7,477,285	3,484,892	10,962,177
Net Assets Released From Restriction	2,111,113	(2,111,113)	-
Total Revenues	9,588,398	1,373,779	10,962,177
Expenses			
Program:			
Education	612,475	-	612,475
Legislative advocacy	267,031	-	267,031
Outreach and awareness	828,930	-	828,930
Patient Communication Center	91,960	-	91,960
PFF Care Center Network	770,053	-	770,053
PFF Patient Registry	2,394,724	-	2,394,724
PFF Summit	170,952	-	170,952
Program support	543,141	-	543,141
Research	356,119	-	356,119
Support groups	352,817	-	352,817
Total program	6,388,202	-	6,388,202
Management and general	907,272	-	907,272
Fundraising	1,709,594	-	1,709,594
Total Expenses	9,005,068	-	9,005,068
Change in Net Assets	583,330	1,373,779	1,957,109
Net Assets, beginning of year	3,287,709	2,818,931	6,106,640
Net Assets, end of year	\$ 3,871,039	\$ 4,192,710	\$ 8,063,749

Pulmonary Fibrosis Foundation

Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
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
Total public support	3,839,973	2,205,393	6,045,366
Program service fees:			
Program service revenue	2,717,917	-	2,717,917
Registrations	275,228	-	275,228
Total program service fees	2,993,145	-	2,993,145
Other revenues:			
Sale of goods	13,110	-	13,110
Miscellaneous	1,855	-	1,855
Total other revenues	14,965	-	14,965
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)
Total investment income	75,383	-	75,383
Total Revenue Before Net Assets			
Released from Restriction	6,923,466	2,205,393	9,128,859
Net Assets Released From Restriction	2,526,260	(2,526,260)	-
Total Revenues	9,449,726	(320,867)	9,128,859
Expenses			
Program:			
Education	629,722	-	629,722
Legislative advocacy	200,671	-	200,671
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
Total program	6,164,974	-	6,164,974
Management and general	943,139	-	943,139
Fundraising	1,628,671	-	1,628,671
Total Expenses	8,736,784	-	8,736,784
Change in Net Assets	712,942	(320,867)	392,075
Net Assets, beginning of year	2,574,767	3,139,798	5,714,565
Net Assets, end of year	\$ 3,287,709	\$ 2,818,931	\$ 6,106,640

See accompanying notes to financial statements.

Pulmonary Fibrosis Foundation

Statements of Functional Expenses

For the year ended June 30, 2019	Program											Support		Total
	Education	Legislative Advocacy	Outreach and Awareness	Patient				Program Support	Research Grants	Support Groups	Program Total	Management and General	Fundraising	Total
				Communication Center	PFF Care Center Network	PFF Patient Registry	PFF Summit							
Salaries and wages	\$ 232,314	\$ 149,881	\$ 386,634	\$ 54,075	\$ 215,148	\$ 287,590	\$ 109,017	\$ 129,004	\$ 67,736	\$ 85,991	\$ 1,717,390	\$ 572,045	\$ 1,008,036	\$ 3,297,471
Employee Benefits	27,350	11,293	34,901	7,812	17,925	26,691	9,665	11,190	5,999	10,220	163,046	88,787	104,208	356,041
Payroll Taxes	18,967	7,400	22,722	5,437	11,417	17,772	6,559	7,349	3,934	6,918	108,475	47,843	69,753	226,071
Accounting	2,001	1,292	3,414	463	1,894	2,534	835	1,104	476	840	14,853	4,910	8,892	28,655
Advertising	5,431	-	496	-	64,049	-	-	4,163	-	-	74,139	-	-	74,139
Bank Fees	-	-	-	-	-	-	-	2,204	-	-	2,204	481	934	3,619
Consulting	107,390	49,431	137,754	12,309	313,798	714,385	23,617	184,624	39,060	76,000	1,658,368	21,453	13,835	1,693,656
Depreciation/Amortization	3,504	1,528	4,584	1,027	2,310	3,532	1,292	16,105	770	1,366	36,018	12,102	13,645	61,765
Dues and Subscriptions	17,539	1,900	5,203	-	2,678	-	-	4,960	100	-	32,380	8,142	1,685	42,207
Event Expense	29,452	1,694	47,503	-	2,153	2,693	197	4,090	-	36,224	124,006	2,516	152,189	278,711
Grants	-	500	-	-	8,000	-	-	-	214,548	69,959	293,007	-	-	293,007
Insurance	3,958	1,670	5,100	1,172	2,546	3,938	1,445	1,643	860	1,547	23,879	7,788	16,503	48,170
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	1,326	-	1,326
Internet Service	1,258	537	1,633	370	841	1,260	461	527	274	491	7,652	2,491	4,878	15,021
Legal	-	225	14,738	-	1,710	945	1,769	11,403	1,080	1,283	33,153	15,394	1,800	50,347
Meetings and Conferences	463	373	609	134	350	470	386	194	109	179	3,267	458	2,366	6,091
Miscellaneous	273	104	352	80	178	271	99	3,627	57	102	5,143	1,583	5,883	12,609
Occupancy	589	215	722	176	362	572	211	232	134	229	3,442	1,139	2,202	6,783
Office Supplies	1,792	592	1,738	370	899	1,389	462	8,263	10,745	493	26,743	4,536	24,293	55,572
Outside Services	33,265	171	17,513	-	-	1,194,790	-	23,014	-	6	1,268,759	7,598	1,963	1,278,320
Postage	18,809	-	346	569	11	-	239	20,710	74	1,224	41,982	2,954	21,746	66,682
Printing	44,086	563	572	-	-	-	1,108	33,534	106	1,508	81,477	-	31,963	113,440
Processing Fees	1,279	578	1,708	370	866	1,312	480	551	291	503	7,938	2,867	49,776	60,581
Rent	20,972	9,007	27,333	6,169	13,720	21,061	7,719	8,822	4,595	8,201	127,599	41,619	81,479	250,697
Shop PFF Merchandise	-	-	-	-	-	-	-	-	-	343	343	5,148	-	5,491
Software Subscriptions	8,548	14,160	3,710	784	58,636	3,840	1,021	8,402	607	1,056	100,764	5,951	33,274	139,989
Telephone	2,243	1,036	3,085	643	1,567	2,351	856	993	510	898	14,182	4,628	8,949	27,759
Travel	30,992	12,881	106,560	-	48,995	107,328	3,514	56,433	4,054	47,236	417,993	28,288	49,342	495,623
Unrelated Business Income Tax	-	-	-	-	-	-	-	-	-	-	-	15,225	-	15,225
Total Functional Expenses	\$ 612,475	\$ 267,031	\$ 828,930	\$ 91,960	\$ 770,053	\$ 2,394,724	\$ 170,952	\$ 543,141	\$ 356,119	\$ 352,817	\$ 6,388,202	\$ 907,272	\$ 1,709,594	\$ 9,005,068

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	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
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	431	145	553	92	221	519	137	1,844	86	124	4,152	4,612	9,647	18,411
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
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
Software Subscriptions	9,073	9,576	5,427	874	46,628	4,330	1,126	6,217	876	12,343	96,470	9,250	28,427	134,147
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
Total Functional Expenses	\$ 629,722	\$ 200,671	\$ 716,751	\$ 83,951	\$ 446,684	\$ 2,313,960	\$ 752,955	\$ 479,715	\$ 238,365	\$ 302,200	\$ 6,164,974	\$ 943,139	\$ 1,628,671	\$ 8,736,784

See accompanying notes to financial statements.

Pulmonary Fibrosis Foundation

Statements of Cash Flows

<i>Year ended June 30,</i>	2019	2018
Operating Activities		
Change in net assets	\$ 1,957,109	\$ 392,075
Adjustments to reconcile change in net assets to cash and cash equivalents provided by operating activities:		
Depreciation and amortization	61,765	56,056
Loss on disposal of fixed assets	495	-
Realized gain on investments	(2,210)	(12,590)
Unrealized loss on investments	3,392	7,176
Donated securities	(68,397)	(100,072)
Deferred rent	(9,769)	(4,243)
Changes in operating assets and liabilities		
Accounts receivable	(87,465)	2,063,518
Contributions receivable	(30,826)	83,835
Pledges receivable	(750,000)	-
Sponsorships receivable	(234,500)	334,500
Prepaid expenses	(60,188)	(66,937)
Accounts payable	(363,351)	310,191
Grants payable	37,500	(50,695)
Accrued liabilities	283,845	196,106
Deferred revenue	123,561	(2,598,669)
Net cash and cash equivalents provided by operating activities	860,961	610,251
Investing Activities		
Proceeds from sale of investments	666,984	4,359,071
Purchases of investments	(2,515,855)	(3,459,771)
Purchases of property and equipment	(34,521)	(43,680)
Purchases of intangibles	(69,980)	-
Net cash and cash equivalents (used in) provided by investing activities	(1,953,372)	855,620
Financing Activities		
Repayment of capital lease obligation	(8,711)	(7,613)
Net cash and cash equivalents used in financing activities	(8,711)	(7,613)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,101,122)	1,458,258
Cash and Cash Equivalents, beginning of year	5,298,606	3,840,348
Cash and Cash Equivalents, end of year	\$ 4,197,484	\$ 5,298,606
Cash Paid During the Year for Interest	\$ 1,326	\$ 1,572
Supplemental Disclosure of Non-Cash Financing and Investing Activities		
Assets acquired under capital lease obligation	\$ -	\$ 29,000

See accompanying notes to financial statements.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Our mission is to mobilize people and resources to provide access to high-quality care and lead research for a cure so that people with pulmonary fibrosis ("PF") will live longer, healthier lives. By actively engaging the pulmonary fibrosis community, the Pulmonary Fibrosis Foundation ("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 \$68,397 and \$100,072 for the years ended June 30, 2019 and 2018, respectively. Realized and unrealized gains and losses are included in the accompanying Statement of Activities and Changes 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 consist primarily of amounts due from program service revenue and various sponsorships. The balance of accounts receivable was \$130,017 and \$42,552 for the years ended June 30, 2019 and 2018, respectively. Accounts receivable as of June 30, 2019, represents \$127,500 of sponsorships for the PFF Summit and PFF Events, and \$2,517 of miscellaneous receivables. The balance at June 30, 2018, relates to Strategic Partnership program service revenue and a travel reimbursement from a funder.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Contributions Receivable

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

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are amounts committed by donors that have not been received by the Organization. These amounts are classified as net assets with donor restrictions until received. For the years ended June 30, 2019 and 2018, pledges receivable was \$750,000 and \$0, respectively, and all due within one year.

Sponsorships Receivable

Sponsorships are recorded as sponsorship revenue with donor restrictions. When the restriction expires, revenue is reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restriction. For the years ended June 30, 2019 and 2018, sponsorships receivable was \$250,000 and \$15,500, respectively.

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 Statements of Functional Expenses. There was no allowance for doubtful accounts as of June 30, 2019 or 2018.

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 and \$19,400 for a new microsite placed in service during the current fiscal year. Two additional website projects and organizational trademarks are currently under development. As of June 30, 2019, the development in progress for these assets amounts to \$50,580. Under

Pulmonary Fibrosis Foundation

Notes to Financial Statements

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 \$14,623 and \$13,031 for the years ended June 30, 2019 and 2018, respectively. Accumulated amortization as of June 30, 2019 and 2018 was \$70,006 and \$55,382, respectively. Amortization expense is expected to be \$6,467 for the next two years with a remaining amount of \$1,616 to be expensed in the year ended June 30, 2022 for the microsite; the earlier website development became fully amortized during the current fiscal year.

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, 2019 and 2018. Accumulated amortization as of June 30, 2019 and 2018 was \$20,167 and \$14,667, respectively.

Amortization expense is expected to be \$5,500 each year for the next six years through June 30, 2025. The final year ending June 30, 2026 amortization expense is expected to be \$1,833. The Organization will evaluate the likelihood of impairment, if it becomes necessary.

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 payroll-related liabilities, consulting and PFF Registry site payment fees that relate to the years ended June 30, 2019 and 2018.

Deferred Revenue

Deferred revenue consists of the fair market value portion of PFF Summit registrations and the PFF Patient Registry 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.

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, 2019 and 2018, deferred rent was \$15,389 and \$5,620, respectively, and included in other assets on the Statements of Financial Position.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

Net Assets

The net assets of the Organization are classified as follows:

Net Assets Without Donor Restrictions:

Net assets without donor restrictions represent the portion of expendable net assets that are available for operations.

Net Assets With Donor Restrictions:

Net assets with donor restrictions represent the portion of net assets restricted by the donors for program expenses such as educational materials, outreach and awareness, the PFF Care Center Network, PFF Patient Registry, PFF Summit, program support, research grants, support groups and PFF events. Satisfaction of net assets with donor restrictions (i.e. when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions. Some assets with donor restrictions may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor restrictions and the release of restrictions, respectively. The Organization had no assets that are perpetual in nature as of June 30, 2019 and 2018.

Revenue Recognition

Program service fees are recognized when earned based on performance of services.

Contributions and Sponsorships

Contributions or sponsorships received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes 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

Pulmonary Fibrosis Foundation

Notes to Financial Statements

under which are deemed to be unrelated business income as of January 1, 2018. The Organization accrued \$15,225 in unrelated business income tax related to these benefits for the year ended June 30, 2019.

It is the policy of the Organization to include in management and general expenses penalties and interest assessed by income taxing authorities. There are penalties of \$133 and interest of \$18 from taxing authorities included in management and general expenses for the year ended June 30, 2019; there were no penalties or interest included for the year ended June 30, 2018.

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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". This update, along with ASU 2016-08, "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*", ASU 2016-10, "*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*" and ASU 2016-12, "*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*", establishes a comprehensive revenue recognition standard. 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. The Organization is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". This update, along with ASU 2018-10, "*Codification Improvements to Topic 842: Leases*", ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*" and ASU 2018-20, "*Leases (Topic 842): Narrow-Scope Improvements for Lessors*", establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for 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 guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for the Organization's fiscal years beginning after December 15, 2019 with early adoption permitted. The Organization is currently evaluating the impact of this ASU on its financial statements.

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Notes to Financial Statements

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "*Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*". The update addresses the complexity and understandability of net asset classification, provides information about liquidity and availability of resources and improves the type of information provided about expenses and investment return. The Organization has applied the ASU retrospectively to all periods presented except the Organization has opted to present the liquidity and availability information for the year ended June 30, 2019 only as permitted under the ASU. Other than the changes to the financial statement presentation and disclosures described above, adoption of the ASU did not have a significant impact on the financial statements. There was no effect on the change in net assets for the year ended June 30, 2019.

Subsequent Events

Subsequent events were evaluated through December 2, 2019, which is the date the financial statements were available to be issued. On August 23, 2019, the Organization entered into an agreement with a funder for a targeted awareness campaign for \$1,554,500. The Organization has subsequently received these funds and expects to pay out the entire amount for marketing services during the year ended June 30, 2020. In addition, the Organization entered into a donor agreement in October to receive \$500,000 in donations to be restricted for research purposes.

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, 2019 and 2018.

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Notes to Financial Statements

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

<i>June 30, 2019</i>				
	Level 1	Level 2	Level 3	Total
Money market	\$ 2,092,081	\$ -	\$ -	\$ 2,092,081
Equities	10,765	-	-	10,765
Mutual funds	2,607,185	-	-	2,607,185
Total	\$ 4,710,031	\$ -	\$ -	\$ 4,710,031

<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
Total	\$ 2,263,226	\$ 530,718	\$ -	\$ 2,793,944

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, 2019 and 2018, the Organization has no uninsured cash investment balances at brokerage firms.

For the years ended June 30, 2019 and 2018, 42% and 52%, 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 68 sites, perform various educational programming within the network, and identify the patients targeted for the PFF Patient Registry. As of June 30, 2019 and 2018, the PFF Patient Registry enrollment reached 2003 (100% of enrollment goal) and 1,994, respectively.

Pulmonary Fibrosis Foundation

Notes to Financial Statements

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

Included in contributions on the Statement of Activities and Changes in Net Assets is \$66,745 and \$355,056 from board members for the years ended June 30, 2019 and 2018, respectively. The year ended June 30, 2018, included a one-time gift of \$250,000 from a board member.

5. Property and Equipment

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

	2019	2018
Computer hardware and software	\$ 234,766	\$ 201,183
Less accumulated depreciation	(164,896)	(123,697)
Total	\$ 69,870	\$ 77,486

Depreciation expense for the years ended June 30, 2019 and 2018 was \$41,642 and \$37,525, respectively.

6. Net Assets with Donor Restrictions

The following items were net assets with donor restrictions as of June 30, 2019 and 2018, due to either use or time restrictions:

	2019	2018
Education	\$ 995,758	\$ 867,798
Other	170,009	132,597
Outreach and Awareness	481,241	459,508
PFF Care Center Network	741,436	962,398
PFF Patient Registry	436,640	71,287
PFF Summit	636,508	-
Program Support	375,000	14,780
Research Grants	186,118	135,918
Support Groups	170,000	174,645
Total	\$ 4,192,710	\$ 2,818,931

Pulmonary Fibrosis Foundation

Notes to Financial Statements

The following items were released from net assets with donor restrictions and reclassified to net assets without donor restrictions during the years ended June 30, 2019 and 2018 due to meeting either use or time restrictions:

	2019	2018
Education	\$ 568,575	\$ 559,292
Other	122,598	26,183
Outreach and Awareness	338,266	339,028
PFF Care Center Network	820,962	514,426
PFF Patient Registry	71,287	252,023
PFF Summit	-	476,937
Program Support	14,780	63,031
Support Groups	174,645	295,340
Total	\$ 2,111,113	\$ 2,526,260

7. 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, 2019 and 2018 was \$250,697 and \$250,381, 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>	Amount
2020	\$ 218,698
2021	245,863
2022	250,927
2023	115,104
Total	\$ 830,592

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Pulmonary Fibrosis Foundation

Notes to Financial Statements

8. Commitments

The Organization has entered into agreements involving media relations and video production contracts, as well as 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 media and video contracts and hotel space (includes hotel room cancellation fees):

	Amount
September 2018-2021 - Media relations contract	\$ 200,000
April 2019 - Video production contract	110,000
November 2019 - PFF Summit, San Antonio, TX	333,645
November 2021 - PFF Summit, Chicago, IL	249,796
Total	\$ 893,441

9. Special Events

Revenues and expenses from special events are shown at the gross amounts in the Statements of Activities and Changes in Net Assets. Gross revenue and expense for each event was as follows for the years ended June 30, 2019 and 2018:

Event	Without Donor Restrictions	With Donor Restrictions	Total Revenue	Expense	Net
PFF Walk FY18-19	\$ 605,972	\$ -	\$ 605,972	\$282,821	\$ 323,151
PFF Walk FY19-20	-	124,939	124,939	-	124,939
Broadway Belts! FY18-19	396,712	15,000	411,712	228,572	183,140
Total Revenue FY18-19	\$1,002,684	\$ 139,939	\$1,142,623	\$ 511,393	\$ 631,230
<hr/>					
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

During fiscal year 2018, 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 fiscal year 2018 and during fiscal year 2019, PFF Walk-DC was added. Net assets with donor restrictions for the PFF Walk FY18-19 of \$122,527 was reflected on fiscal year 2018's financial statements as net assets with donor restrictions and released in fiscal year 2019. Restrictions on these funds are related to timing of the event or receipt of the funds.

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Notes to Financial Statements

Broadway Belts remains a PFF special event. During the years ended June 30, 2019 and 2018, 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.

10. 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 \$93,413 and \$75,644 for the years ended June 30, 2019 and 2018, respectively.

11. Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are computed as follows:

	2019
Total assets at year end	\$ 10,914,467
Less nonfinancial assets:	
Prepaid expenses and other assets	238,896
Property and equipment	69,870
Other receivables - long term	375,000
Deposits	56,631
Intangibles, net	65,130
Goodwill, net	34,833
<hr/> Total financial assets available within one year	<hr/> 10,074,107
Less:	
Assets included above which are restricted to cover programmatic expenses in the next year:	
Restricted by donors with time or purpose restrictions	4,192,710
Deferred revenue	1,327,306
<hr/> Total assets restricted for programmatic expenses	<hr/> 5,520,016
<hr/> Total Financial Assets Available to Management for General Expenditures	
 Within One Year	\$ 4,554,091

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has been building its liquid assets to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. Long-term investments are available for use should the Organization deem necessary; however, the investments are not expected to be used within one year. As of June 30, 2019, management feels that it has a sufficient cash balance, when including the amounts restricted

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to cover programmatic expenses in the next year, to meet its cash needs for general expenditures within one year.