PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

PULMONARY FIBROSIS FOUNDATION

YEARS ENDED JUNE 30, 2024 AND 2023

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Independent Auditors' Report

Board of Directors
Pulmonary Fibrosis Foundation

Opinion

We have audited the financial statements of Pulmonary Fibrosis Foundation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pulmonary Fibrosis Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pulmonary Fibrosis Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Pulmonary Fibrosis Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pulmonary Fibrosis Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

January 13, 2025

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30,	**2024**	2023
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 5,406,039**	$ 6,548,446
Investments	**7,668,085**	6,731,381
Accounts receivable	**131,210**	440,045
Contributions receivable	**13,073**	124,478
Contract receivables	**316,264**	124,750
Prepaid expenses	**243,720**	676,272
Total current assets	**13,778,391**	14,645,372
Property and equipment, net	**33,409**	58,836
Other assets:		
Operating lease right-of-use assets	**1,176,724**	1,445,455
Investments, noncurrent	**69,333**	325,269
Deposits	**56,631**	56,631
Intangibles, net	**55,667**	112,882
Prepaid expenses, net of current portion	**150,000**	150,000
Total other assets	**1,508,355**	2,090,237
Total assets	**$ 15,320,155**	$ 16,794,445

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	**2024**	2023
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	**$ 194,108**	$ 437,952
Grants payable	**645,813**	388,687
Accrued liabilities	**347,227**	1,031,010
Contract liabilities	**1,475,869**	1,776,594
Current portion of operating lease liabilities	**241,446**	243,951
Total liabilities	**2,904,463**	3,878,194
Long-term liability:		
Operating lease liabilities, net of current portion	**960,978**	1,181,002
Total liabilities	**3,865,441**	5,059,196
Net assets:		
Without donor restrictions	**8,436,792**	7,809,572
With donor restrictions	**3,017,922**	3,925,677
Total net assets	**11,454,714**	11,735,249
Total liabilities and net assets	**$ 15,320,155**	$ 16,794,445

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF ACTIVITIES

Years ended June 30,	2024			2023		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support:						
Public support:						
Contributions	**$ 2,961,871**	**$ 273,001**	**$ 3,234,872**	$ 3,612,612	$ 311,067	$ 3,923,679
Contributed goods and services	**418,781**		**418,781**	426,962		426,962
Sponsorships	**586,968**	**618,280**	**1,205,248**	1,027,682	1,542,138	2,569,820
Special events	**1,248,085**	**498,485**	**1,746,570**	1,109,954	310,116	1,420,070
Total public support	**5,215,705**	**1,389,766**	**6,605,471**	6,177,210	2,163,321	8,340,531
Program service fees:						
Program service fees	**2,277,281**		**2,277,281**	3,894,673		3,894,673
Registration	**340,634**		**340,634**	1,335		1,335
Total program service fees	**2,617,915**		**2,617,915**	3,896,008		3,896,008
Other revenues and support:						
Debt forgiveness - Paycheck Protection Program loan				580,675		580,675
Miscellaneous income	**5,901**		**5,901**	9,075		9,075
Total other revenues and support	**5,901**		**5,901**	589,750		589,750
Net investment income:						
Interest and dividends	**485,349**		**485,349**	414,669		414,669
Realized gains on investments	**3,929**		**3,929**	5,134		5,134
Unrealized gains on investments	**452,249**		**452,249**	285,521		285,521
Investment management fees	**(28,702)**		**(28,702)**	(35,875)		(35,875)
Net investment income	**912,825**		**912,825**	669,449		669,449

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended June 30,	2024			2023		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Total revenue, gains, and other support before net assets released from restrictions	**$ 8,752,346**	**$ 1,389,766**	**$ 10,142,112**	$ 11,332,417	$ 2,163,321	$ 13,495,738
Net assets released from restrictions	**2,297,521**	**(2,297,521)**		1,874,065	(1,874,065)	
Total revenue, gains, and other support	**11,049,867**	**(907,755)**	**10,142,112**	13,206,482	289,256	13,495,738
Expenses:						
Program services	**7,339,532**		**7,339,532**	8,140,653		8,140,653
Management and general	**969,502**		**969,502**	1,247,228		1,247,228
Fundraising	**2,113,613**		**2,113,613**	2,347,614		2,347,614
Total expenses	**10,422,647**		**10,422,647**	11,735,495		11,735,495
Change in net assets	**627,220**	**(907,755)**	**(280,535)**	1,470,987	289,256	1,760,243
Net assets:						
Beginning of year	**7,809,572**	**3,925,677**	**11,735,249**	6,338,585	3,636,421	9,975,006
End of year	**$ 8,436,792**	**$ 3,017,922**	**$ 11,454,714**	$ 7,809,572	$ 3,925,677	$ 11,735,249

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2024	Program services										Support services		
	Education	Legislative Advocacy	Outreach and Awareness	Care Center Network	PFF Registry	PFF Summit	Program Support	Research Grants	Support Groups	Total program services	Management and general	Fundraising	Total
Salaries and wages	$ 496,396	$ 81,197	$ 464,024	$ 293,794	$ 477,728	$ 181,600	$ 57,436	$ 68,916	$ 213,211	$ 2,334,302	$ 679,762	$ 1,124,050	$ 4,138,114
Employee benefits	45,480	6,341	39,451	23,867	40,033	11,681	6,147	5,923	19,197	198,120	92,156	100,343	390,619
Payroll taxes	36,186	5,314	32,335	18,801	33,285	9,312	4,846	4,675	15,434	160,188	45,132	81,783	287,103
Advertising				3,967	11,696	5,421	424,844			445,928			445,928
Consulting	71,996	91,106	127,405	109,830	872,174	133,250	169,217	16,909	9,000	1,600,887	20,145	53,613	1,674,645
Depreciation and amortization	6,057	593	9,076	1,401	10,980	564	51,305	420	1,448	81,844	2,343	9,759	93,946
Dues and subscriptions	1,400	15,025	8,964	1,359			6,860			33,608	9,016	435	43,059
Event expense	8,429		21,363	41,541		779,575	4,390	4,119	5,619	865,036	10,558	241,194	1,116,788
Grants			(100)					760,000	24,988	784,888			784,888
Insurance	13,192	1,379	6,228	3,224	6,686	2,085	2,856	1,139	3,712	40,501	7,203	37,698	85,402
Lease expense	51,757	6,030	24,722	14,289	27,620	5,830	12,145	4,341	14,876	161,610	23,671	99,244	284,525
Miscellaneous	3,443	310	2,354	2,199	1,354	695	8,865	270	1,571	21,061	10,342	9,677	41,080
Occupancy	10,043	1,170	4,745	2,707	5,395	1,118	2,368	824	2,890	31,260	4,525	19,346	55,131
Outside services	9,982		21,700	12,000	7,500	30,076	14,652	10,997		106,907	9,074	3,809	119,790
Postage	10,365		414		4,985	1,290	2,278			19,332	(5,891)	39,608	53,049
Printing	44,701				5,134	2,745	4,492		358	57,430	1,652	42,680	101,762
Processing fees	1,950	279	1,709	3,840	1,743	505	263	254	825	11,368	4,008	74,540	89,916
Professional fees	9,165	1,023	19,973	2,643	5,189	973	3,076	3,657	2,819	48,518	20,098	30,073	98,689
Software subscriptions	28,136	1,948	8,254	11,308	9,045	1,921	10,965	13,506	12,814	97,897	7,921	79,627	185,445
Travel	7,678		51,323	99,852	6,581	44,858	13,890	6,732	7,933	238,847	27,787	66,134	332,768
Total expenses	$ 856,356	$ 211,715	$ 843,940	$ 646,622	$ 1,527,128	$ 1,213,499	$ 800,895	$ 902,682	$ 336,695	$ 7,339,532	$ 969,502	$ 2,113,613	$ 10,422,647

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2023	Program services										Support services		
	Education	Legislative Advocacy	Outreach and Awareness	Care Center Network	PFF Registry	PFF Summit	Program Support	Research Grants	Support Groups	Total program services	Management and general	Fundraising	Total
Salaries and wages	$ 543,836	$ 155,949	$ 360,187	$ 313,813	$ 385,808	$ 143,917	$ 114,618	$ 59,449	$ 169,018	$ 2,246,595	$ 636,378	$ 1,153,187	$ 4,036,160
Employee benefits	25,756	16,291	28,431	28,625	32,061	14,844	14,541	4,788	11,516	176,853	100,522	99,666	377,041
Payroll taxes	21,730	13,612	22,588	23,246	26,857	11,903	12,188	3,945	9,733	145,802	49,967	80,336	276,105
Advertising	794		7,531	5,945	175,716	500	432,369	500		623,355		250	623,605
Consulting	72,182	163,795	715,038	129,129	1,785,889	19,649	228,655	29,635	8,581	3,152,553	164,160	156,977	3,473,690
Depreciation and amortization	6,061	722	9,292	1,498	9,845	759	62,664	611	1,592	93,044	3,684	8,523	105,251
Dues and subscriptions	825	20,712	2,444	2,110			3,984		144	30,219	8,060	3,100	41,379
Event expense	30,050		50,250	727	25	39	2,286		30,000	113,377	11,027	372,161	496,565
Grants			1,600	(2,500)				547,481	11,250	557,831	5,000		562,831
Insurance	10,864	1,478	6,023	3,119	3,304	1,605	2,573	1,031	3,430	33,427	6,281	17,885	57,593
Lease expense	46,145	6,642	24,704	13,789	14,735	6,995	11,631	5,594	14,615	144,850	46,837	78,324	270,011
Miscellaneous	35,360	371	2,307	1,618	1,568	370	9,359	313	1,076	52,342	8,815	9,688	70,845
Occupancy	10,399	1,489	5,391	3,039	3,260	1,536	2,602	1,309	3,258	32,283	6,078	17,400	55,761
Outside services	18,657	33,706	25,233	21,620	130,974		18,792	2,772	(124)	251,630	130,303	6,050	387,983
Postage	44,736		18	10	10,457		24,488			79,709	4,021	48,554	132,284
Printing	61,372				39,143		36,106		2,820	139,441	23	53,544	193,008
Processing fees	1,228	785	1,285	1,343	1,542	680	704	233	556	8,356	3,689	75,585	87,630
Professional fees	4,773	1,308	13,668	6,803	6,209	2,004	3,028	481	1,815	40,089	19,875	23,470	83,434
Software subscriptions	28,403	2,269	10,010	27,998	37,452	2,511	16,892	12,920	14,823	153,278	11,095	69,522	233,895
Travel	12,813		12,239	25,251	7,183	2,670	2,526	2,937		65,619	31,413	73,392	170,424
Total expenses	$ 975,984	$ 419,129	$ 1,298,239	$ 607,183	$ 2,672,028	$ 209,982	$ 1,000,006	$ 673,999	$ 284,103	$ 8,140,653	$ 1,247,228	$ 2,347,614	$ 11,735,495

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30,		**2024**		2023
Cash flows from operating activities:				
Change in net assets	**$**	**(280,535)**	$	1,760,243
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation and amortization		**93,946**		105,251
Amortization of operating lease right-of-use assets		**294,953**		205,198
Realized gains on investments		**(3,929)**		(5,134)
Unrealized gains on investments		**(452,249)**		(285,521)
Donated securities		**(12,347)**		(379,477)
Forgiveness of debt - Paycheck Protection Program loan				(580,675)
(Increase) decrease in operating assets:				
Accounts receivable		**625,099**		(203,817)
Contributions receivable		**111,405**		(64,513)
Contract receivables		**(191,514)**		2,225,835
Sponsorships receivable				145,000
Other receivables				375,000
Prepaid expenses		**432,552**		(262,099)
Increase (decrease) in operating liabilities:				
Accounts payable		**(243,844)**		196,267
Grants payable		**257,126**		38,687
Accrued liabilities		**(683,783)**		(948,372)
Contract liabilities		**(616,989)**		(2,161,127)
Operating lease liabilities		**(248,751)**		(237,634)
Net cash used in operating activities		**(918,860)**		(76,888)

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2024	2023
Cash flows from investing activities:		
Proceeds from sales of investments	**$ 39,138**	$ 416,665
Purchases of investments	**(251,382)**	(245,798)
Purchases of property and equipment	**(2,537)**	(13,559)
Purchase of intangibles	**(8,766)**	
Net cash provided by (used in) investing activities	**(223,547)**	157,308
Net increase (decrease) in cash and cash equivalents	**(1,142,407)**	80,420
Cash and cash equivalents, beginning of year	**6,548,446**	6,468,026
Cash and cash equivalents, end of year	**$ 5,406,039**	$ 6,548,446
Supplemental cash flows information related to leases is as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 296,755**	$ 269,603
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	**$ 26,222**	$ 1,519,547

See notes to financial statements.

1. Organization and purpose

Nature of activities:

The mission of the Pulmonary Fibrosis Foundation (the Organization) 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 healthcare professionals to give them a greater understanding of PF and support while living with the disease.

2. Summary of significant accounting policies

The significant accounting policies of the Organization are summarized below.

Basis of accounting:

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncement:

Effective July 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from an incurred credit loss methodology to an expected credit loss methodology, which requires consideration of a broad range of reasonable and supportable information to measure credit loss estimates. The standard also requires additional disclosures to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in Topic 326 are contract receivables and certain investments. The cumulative effect of adopting Topic 326 was not material to the financial statements.

2. Summary of significant accounting policies (continued)

Basis of presentation:

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions represent the portion of expendable net assets that are available for operations, which includes net assets designated by the Board for general operating purposes. The Board-designated operating reserves are intended to provide an internal source of funds for situations, such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Board-designated operating reserves are to be used and replenished within a reasonably short period of time.

Net assets with donor restrictions - Net assets with donor restrictions represent the portion of net assets that are subject to donor-imposed restrictions related to a time restraint or for a specific use, such as educational materials, legislative advocacy, outreach and awareness, the PFF Care Center Network, PFF 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, 2024 or 2023.

Cash equivalents:

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

2. Summary of significant accounting policies (continued)

Investments:

Investments in marketable securities and bonds are reported at fair value based upon market quotations. Donated investments are reflected as contributions at their fair values at date of receipt. There were donated investments of $12,347 and $379,477 for the years ended June 30, 2024 and 2023, respectively. Realized and unrealized gains and losses less external investment expenses are reflected in the statements of activities as net investment income. Money market accounts that are held in a portfolio at the same institution as other investments are classified as investments. Noncurrent investments include certificates of deposit and bonds that do not mature within the next fiscal year.

Certificates of deposit are carried at amortized cost. Management evaluates the collectibility of investments in certificates of deposit and records an allowance for credit losses representing an estimate of the expected losses that result from all possible default events over the life of the investments. The Organization has assessed the risk of default as less than remote and have not recorded an allowance for credit losses on investments in certificates of deposit for the year ended June 30, 2024.

Accounts receivable:

Accounts receivable consist primarily of amounts due from sponsorships for educational programs, the PFF Summit, and PFF events. The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and assessment of specific identifiable accounts considered at risk or uncollectible. There was no allowance for doubtful accounts as of June 30, 2024 and 2023.

Contributions receivable:

Contributions that are mailed by the donor before year-end, but not received until after year-end, are included as contributions receivable. The Organization recognizes an allowance for losses on contributions 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 assessment of specific identifiable accounts considered at risk or uncollectible. There was no allowance for doubtful accounts as of June 30, 2024 and 2023.

2. Summary of significant accounting policies (continued)

Contract receivables:

Prior to adoption of Topic 326, Current Expected Credit Losses

As of June 30, 2023, contract receivables was $124,750, which represent program service fees for the PFF Registry. Contract receivables represent program service fees agreements between the Organization and various companies related to Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. Contract receivables are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. The Organization provides for losses on contract receivables using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of customers to meet their obligations. Receivables are considered unpaid if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contract receivables when management determines that the receivable will not be collected. There was no allowance for doubtful accounts as of June 30, 2023.

After the adoption of Topic 326, Current Expected Credit Losses

As of June 30, 2024, contract receivables was $316,264, which represent program service fees. Contract receivables consist of receivables from contracts with customers and are stated at gross invoice amounts net of provisions for credit losses. Contract receivables are recorded at the invoiced amount and are typically outstanding for 30 to 45 days. Management evaluates collectibility on a pooled basis where similar characteristics exist and records an allowance for credit losses in amount equal to the current expected credit losses that results from all possible default events over the expected life of the assets. Contract receivables are evaluated individually when specific customer balances no longer share the risk characteristics and are considered at risk or uncollectible. The allowance is estimated using an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectations of future conditions. The Organization writes off receivables when there is information that indicates there is no possibility of recovery. If recoveries are made from accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. There was no allowance for credit losses as of June 30, 2024.

Prepaid expenses:

Prepaid expenses consist mainly of prepaid event costs, site registry expenses, subscriptions, insurance and postage.

2. Summary of significant accounting policies (continued)

Property and equipment:

Property and equipment are stated at cost, if purchased or fair value at date of donation, if donated. Depreciation is computed using the straight-line method over three to five years for computer hardware and software. 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.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

Leases:

The Organization determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. The Organization elected to use a risk-free discount rate for all classes of underlying assets. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the lease term.

Intangibles:

Intangible assets consist of website development and trademark costs. These costs are recognized as an intangible asset and are amortized using the straight-line method over periods between three and ten years.

2. Summary of significant accounting policies (continued)

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, medical team-related liabilities, consulting, legal fees, PFF Registry site payments, and Data Coordinating Center costs that relate to the years ended June 30, 2024 and 2023.

Revenue from contracts with customers:

Revenue streams that meet the definition of an exchange transaction and fall within the scope of Topic 606 are program service fees and special events ticket revenue.

Under Topic 606, the Organization recognizes revenue when its customer obtains control of the promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of Topic 606, the Organization performs the following five steps: (i) identification of the promised goods or services in the contract, (ii) determination of whether the promised goods or services are performance obligations, (iii) measurement of the transaction price, (iv) allocation of the transaction price to the performance obligations, and (v) recognition of revenue when the Organization satisfies the performance obligation. The Organization only applies the five-step model to contracts when it is probable that it will collect consideration it is entitled to in exchange for the goods or services it transfers to customers.

Revenue can be either recognized at a point in time or over a period of time. ASC 606 lays out three criteria for determining whether the revenue should be recognized over time. If the contract meets any one of these three, the revenue is recognized over time:

- The customer simultaneously receives and consumes the benefits.
- The Organization's performance creates or enhances an asset that the customer controls.
- The Organization's performance does not create an asset with an alternative use to the Organization and the Organization has an enforceable right to payment for the performance completed to date.

2. Summary of significant accounting policies (continued)

Revenue from contracts with customers: (continued)

If none of the above are true, then revenue must be recognized at a point in time.

Revenues measured over time are recognized as the Organization makes progress towards fulfilling the performance obligation. The Organization must choose a method to measure the progress in completing the contract. The chosen method may be based on either outputs or inputs. The Organization uses the output method, which looks at the fair value of goods and services transferred to the customer to date.

Program service fees

There are two performance obligations in a majority of contracts with customers. One performance obligation is the Registry stand-ready obligation, which grants customers access to the Registry data along with continual project management by the Organization to maintain the Registry. This type of performance obligation is recognized over time on a pro-rata monthly amount over the contract term. The other performance obligation is delivery of certain research studies, which is the delivery of a set of data from the Registry that can be used to complete study projects by the customer. This type of performance obligation is recognized at a point in time when the study data is delivered to the customer.

In addition, the Organization holds a bi-annual conference, in which registration fees are charged in exchange for conference attendance.

Special events ticket revenue

Special events ticket revenue consists of both a contribution and an exchange transaction. The portion of the ticket price that corresponds to the value of the goods and services received by the attendee is considered an exchange transaction. The purchase of the event ticket is considered a contract between the Organization and the purchaser, as there is a right to enforce the contract for both parties and the Organization expects to collect the full amount it is entitled to, as the tickets are purchased up to a few months in advance of the event, which typically takes place in March. The Organization typically provides food and entertainment as part of the ticket price; these are not distinct within the context of the contract and, therefore, represent a single performance obligation. The fee for the ticket represents the transaction price and as there is only one performance obligation, the entire price of the ticket is allocated to the performance obligation. The revenue is recognized at a point in time when the event takes place.

2. Summary of significant accounting policies (continued)

Revenue from contracts with customers: (continued)

Disaggregation of revenue

The nature, amount, timing, and uncertainty of revenue and cash flows of the Organization are impacted by the concentration of customers in the healthcare industry.

Below is a comparison of point in time versus over time revenue recognition for the years ended June 30, 2024 and 2023:

Year ended June 30, 2024	**Point in time**	**Over time**	**Total**
Program service fees	**$ 898,419**	**$ 1,378,862**	**$ 2,277,281**
Registration	**340,634**		**340,634**
Special events	**25,900**		**25,900**
Total	**$ 1,264,953**	**$ 1,378,862**	**$ 2,643,815**

Year ended June 30, 2023	Point in time	Over time	Total
Program service fees	$ 2,061,358	$ 1,833,315	$ 3,894,673
Registration	1,335		1,335
Special events	42,587		42,587
Total	$ 2,105,280	$ 1,833,315	$ 3,938,595

Contract receivables and contract assets

The Organization discloses receivables from contracts with customers separately in the statements of financial position. The timing of revenue recognition, billings, and cash collections results in receivables, contract assets, and contract liabilities. Billing may occur subsequent to revenue recognition, resulting in contract assets. Most times, the Organization receives advances or deposits from customers before the revenue is recognized, resulting in contract liabilities. Contract receivables are recorded when the right to the consideration becomes unconditional. Contract receivables were $316,264, $124,750 and $2,350,585 as of June 30, 2024, 2023 and 2022, respectively. There were no contract assets as of June 30, 2024, 2023 and 2022.

2. Summary of significant accounting policies (continued)

Revenue from contracts with customers: (continued)

Contract liabilities

The Organization's contract liabilities consist of program service fees from companies. The amounts received are recorded as contract liabilities until the Organization satisfies its performance obligations outlined in the agreements. Depending on the nature of the performance obligation, revenue can be recognized on a pro-rata basis over the term of the agreement as the underlying performance obligation is satisfied or be recognized at a point in time when that performance obligation is met. Contract liabilities were $1,475,869, $1,776,594 and $3,937,721 as of June 30, 2024, 2023 and 2022, respectively.

Contributions and sponsorships:

Contributions and 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 and follows Topic 958. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same 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 as net assets released from restrictions.

Contributed goods and services:

Contributed goods and services are reflected as contributions at their fair value at date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not contributed. In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization, but these services do not meet the criteria for financial statement recognition. The volunteers are PFF Ambassadors who support the PFF patient community, the Care Center Network affiliates that provide support to patients around the county, the PFF Advocates that are involved in various initiatives like the Supplemental Oxygen Access Reform Act, Support Group leaders, and Team PFF volunteers that host fundraisers in their community to support the Foundation and the PFF Walks.

2. Summary of significant accounting policies (continued)

Contributed goods and services: (continued)

The Organization received approximately $300,000 of free advertising from a major retailer during each of the years ended June 30, 2024 and 2023. In addition, the Organization received approximately $112,000 and $118,000 for on-line advertising from two other companies for the years ended June 30, 2024 and 2023, respectively. The value of the advertising was provided by the donor and valued at estimated fair value using standard industry pricing for similar services. The Organization also received amounts of food and beverages for use at events. The fair value of food and beverages was based on the actual cost of the food and beverages donated as evidenced by invoicing or other support provided by the companies that donated the food and beverages. Contributed goods are not sold, and goods and services are only utilized by the Organization. There were no donor restrictions for contributed goods and services recognized during the years ended June 30, 2024 and 2023.

During the years ended June 30, 2024 and 2023, in-kind expenses were allocated as follows:

Year ended June 30, 2024	**Program services**	**Fundraising**	**Total**
Advertising	**$ 412,122**		**$ 412,122**
Food and beverages		**$ 6,659**	**6,659**
Totals	**$ 412,122**	**$ 6,659**	**$ 418,781**

Year ended June 30, 2023	Program services	Fundraising	Total
Advertising	$ 418,695		$ 418,695
Food and beverages		$ 7,010	7,010
Events		1,257	1,257
Totals	$ 418,695	$ 8,267	$ 426,962

Advertising:

The Organization expenses advertising costs as they are incurred.

2. Summary of significant accounting policies (continued)

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 as of June 30, 2024 and 2023.

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by functions. In the statements of functional expenses, the costs that are directly associated with a particular program or supporting service are charged to that functional category, such as travel, consulting, advertising, outside services, processing fees, printing, event expense, professional fees, and grants. Additionally, certain costs have been allocated among the programs and supporting services benefited based on staff time devoted to the functional areas, such as salaries and wages, employee benefits, payroll taxes, depreciation and amortization, dues and subscriptions, insurance, miscellaneous, occupancy, postage, lease expense, and software subscriptions.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Reclassifications:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

Subsequent events:

Subsequent events were evaluated through January 13, 2025, which is the date the financial statements were available to be issued.

3. Liquidity and availability

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

June 30,	2024	2023
Total assets at year-end	**$ 15,320,155**	$ 16,794,445
Less nonfinancial assets and noncurrent investments:		
Prepaid expenses	**393,720**	826,272
Property and equipment, net	**33,409**	58,836
Operating lease right-of-use assets	**1,176,724**	1,445,455
Investments, noncurrent	**69,333**	325,269
Deposits	**56,631**	56,631
Intangibles, net	**55,667**	112,882
Total financial assets available within one year	**13,534,671**	13,969,100
Less:		
Assets included above, which are restricted to cover programmatic expenses in the next year:		
Restricted by donors with time or purpose restrictions	**3,017,922**	3,925,677
Total financial assets available to management for general expenditures within one year	**$ 10,516,749**	$ 10,043,423

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. Management monitors liquidity by reviewing financial statements and budget-to-actual reports on a monthly basis. As of June 30, 2024 and 2023, management believes that the Organization has a sufficient cash balance, when including the amounts restricted to cover programmatic expenses in the next year, to meet its cash needs for general expenditures within one year. Board-designated net assets are available for operations, as needed, and, therefore, are not included as a reduction to arrive at the total financial assets available to management for general expenditures within one year.

4. 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 This level consists of quoted prices in active markets for identical investments.

Level 2 This level consists of other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.).

Level 3 This level consists of significant unobservable inputs (including assumptions in determining the fair value of investments).

The asset's 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 the valuation methodologies during the years ended June 30, 2024 or 2023.

Following is a description of the valuation methodologies uses for assets measured at fair value:

Investments in money market funds, mutual funds, and bonds: Valued at fair value based on quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

June 30,	**2024**		2023	
	Level 1	**Total**	Level 1	Total
Money market funds	**$ 1,276,901**	**$ 1,276,901**	$ 919,034	$ 919,034
Mutual funds	**5,391,764**	**5,391,764**	4,819,872	4,819,872
Bonds	**69,333**	**69,333**	76,619	76,619
Total investments at fair value	**$ 6,737,998**	**6,737,998**	$ 5,815,525	5,815,525
Certificates of deposit		**999,420**		1,241,125
Total investments		**$ 7,737,418**		$ 7,056,650

At June 30, 2024, the long-term portion of investments included bonds of $69,333. At June 30, 2023, the long-term portion of the investments included bonds of $76,619 and one certificate of deposit valued at $248,650.

Risks and uncertainties:

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

5. Concentrations of credit risk

The Organization maintains the majority of its cash and cash equivalents at several financial institutions. All deposit accounts at Federal Deposit Insurance Corporation (FDIC)-insured institutions are insured up to $250,000. As of June 30, 2024 and 2023, cash and cash equivalents in excess of the limits totaled approximately $1,300,000 and $1,500,000, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

5. Concentrations of credit risk (continued)

Investments in certificates of deposit at FDIC-insured institutions are insured up to $250,000 per institution. The Organization also 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. As of June 30, 2024 and 2023, certificates of deposit and reserve cash in excess of these limits totaled approximately $3,300,000 and $4,270,000, respectively. Management believes that the Organization is not exposed to any credit risk on certificates of deposit and reserve cash.

For the year ended June 30, 2024, two funders accounted for 25% of total public support and program service fees revenue. For the year ended June 30, 2023, two funders accounted for 28% of total public support and program service fees revenue. The Board and management were aware of these concentrations of credit risk when approving the contracts with the funders in prior years in order to provide multi-year funding of the PFF Registry. The Organization is increasing other revenue streams to diversify the funding of the PFF 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.

Two funders represent 61% and 63% of receivables at June 30, 2024 and 2023, respectively.

6. Related party transactions

Included in contributions on the statements of activities is $232,255 and $94,521 from Board members for the years ended June 30, 2024 and 2023, respectively. In addition, the Board raises funds for various PFF Events.

7. Property and equipment

The Organization's property and equipment were as follows:

June 30,	**2024**	2023
Computer hardware and software	**$ 276,223**	$ 274,404
Accumulated depreciation	**(242,814)**	(215,568)
Property and equipment, net	**$ 33,409**	$ 58,836

Depreciation expense for the years ended June 30, 2024 and 2023 was $27,965 and $28,001, respectively.

8. Leases

The Organization leases office and storage facilities with annual escalating lease payments through an operating lease expiring in November 2025. Payments are billed and paid monthly. The lease includes one option to renew for three years which the Organization had been reasonably certain to exercise. The Organization also leases copiers through an operating lease expiring in November 2026 and a postage machine through an operating lease expiring in August 2025. Lease payments do not escalate and are billed and paid monthly. There are no variable costs included with the operating leases. Operating lease cost was $299,343 and $286,190 for the years ended June 30, 2024 and 2023, respectively.

Future payments due under the leases are as follows:

Years ending June 30:	Amount
2025	$ 281,204
2026	305,375
2027	299,116
2028	295,191
2029	122,996
Total undiscounted lease payments	1,303,882
Imputed interest	(101,458)
Total operating lease liabilities	$ 1,202,424

The following summarizes the weighted-average remaining lease terms and weighted-average discount rates for the operating leases for the years ended June 30, 2024 and 2023:

Years ended June 30,	**2024**	2023
Weighted-average remaining lease term (years)	**4.37**	5.4
Weighted-average discount rate	**3.63%**	3.59%

During July 2024, the landlord (of the office and storage facilities) notified the Organization that it intended to sell the property within the next year, and that the space would likely be converted to residential property. Therefore, the Organization has begun negotiations to lease new office space in a different location. However, the terms of a new lease have not been determined, nor has there been a formal agreement signed as of January 13, 2025.

9. Intangible assets

The Organization's intangible assets were as follows:

June 30,		2024		2023
Trademarks	**$**	**69,129**	$	69,129
Website development and storage		**260,786**		252,020
		329,915		321,149
Accumulated amortization		**(274,248)**		(208,267)
Intangible assets, net	**$**	**55,667**	$	112,882

Amortization expense for the years ended June 30, 2024 and 2023 were $65,981 and $77,250, respectively.

10. Accrued liabilities

Accrued liabilities consist of the following:

June 30,		2024		2023
PFF Registry site payments			$	519,794
Data coordinating center consulting	**$**	**214,710**		133,632
Other accrued expenses		**12,470**		101,923
Medical team expenses		**54,597**		197,777
Payroll and related benefits		**65,450**		77,884
Total accrued liabilities	**$**	**347,227**	$	1,031,010

11. Paycheck Protection Program loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP), which provided businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provided funds to pay up to 24 weeks of payroll costs, including benefits. Funds could also be used to pay interest on mortgages, rent, and utilities. In March 2021, the Organization applied for and received PPP funding of $580,675, which it accounted for under the debt model, whereby the loan remains a liability until either (1) it is wholly or partially forgiven and the debtor has been legally released or (2) it is paid off. The loan was fully forgiven in July 2022.

12. Net assets

Without donor restrictions:

Net assets without donor restrictions were as follows:

June 30,		**2024**		2023
Board-designated operating reserves	**$**	**2,286,096**	$	2,603,486
General		**6,150,696**		5,206,086
Total	**$**	**8,436,792**	$	7,809,572

With donor restrictions:

Net assets with donor restrictions were restricted to specific purposes as follows:

June 30,		**2024**		2023
Education	**$**	**443,080**	$	481,401
Other		**45,250**		45,660
Outreach and Awareness				184,066
PFF Care Center Network				154,655
PFF Registry		**1,031,136**		1,100,248
PFF Summit				441,936
PFF Walks		**498,485**		310,116
Research Grants		**868,845**		1,054,871
Support Groups		**131,126**		152,724
Total	**$**	**3,017,922**	$	3,925,677

12. Net assets (continued)

With donor restrictions: (continued)

The following items were released from net assets with donor restrictions and reclassified to net assets without donor restrictions due to meeting purpose restrictions:

Years ended June 30,	**2024**	2023
Education	**$ 331,127**	$ 283,631
Legislative Advocacy		35,455
Other	**45,410**	32,000
Outreach and Awareness	**184,066**	117,298
PFF Care Center Network	**154,655**	319,209
PFF Registry	**69,114**	234,160
PFF Summit	**441,936**	
PFF Walks	**310,116**	414,454
Research Grants	**608,373**	300,522
Support Groups	**152,724**	137,336
Total	**$ 2,297,521**	$ 1,874,065

13. 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 a meeting platform and hotel space (includes hotel room cancellation fees) as of June 30, 2024:

June 30, 2024	
March 2025 - Broadway Belts, New York, New York	$ 7,492
November 2025 - PFF Summit, Chicago, Illinois	553,980
Total	$ 561,472

In addition, the Organization has several consulting contract commitments as of June 30, 2024 which total $424,000 through 2026.

14. 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 were as follows:

Year ended June 30, 2024 **Event**	**Without donor restrictions**	**With donor restrictions**	**Total revenue**	**Expense**	**Net**
PFF Walk fiscal year 2023-2024	**$ 738,184**		**$ 738,184**	**$ 793,177**	**$ (54,993)**
PFF Walk fiscal year 2024-2025		**$ 498,485**	**498,485**		**498,485**
Broadway Belts!	**509,901**		**509,901**	**224,315**	**285,586**
Total	**$ 1,248,085**	**$ 498,485**	**$ 1,746,570**	**$ 1,017,492**	**$ 729,078**

Year ended June 30, 2023 Event	Without donor restrictions	With donor restrictions	Total revenue	Expense	Net
PFF Walk fiscal year 2022-2023	$ 640,576		$ 640,576	$ 747,527	$ (106,951)
PFF Walk fiscal year 2023-2024		$ 310,116	310,116		310,116
Broadway Belts!	469,378		469,378	261,922	207,456
Total	$ 1,109,954	$ 310,116	$ 1,420,070	$ 1,009,449	$ 410,621

The PFF Walk Program was comprised of PFF Walks in the following cities: Chicago, New York City, the District of Columbia, Dallas, San Francisco, and Pittsburgh. Net assets with donor restrictions for the fiscal year 2024 PFF Walk of $310,116 were reflected on the fiscal year 2023 financial statements as net assets with donor restrictions and released in fiscal year 2024. Net assets with donor restrictions for the fiscal year 2023 PFF Walk of $414,454 were reflected on the fiscal year 2022 financial statements as net assets with donor restrictions and released in fiscal year 2023. Restrictions on these funds are related to timing of the event or receipt of the funds.

During the years ended June 30, 2024 and 2023, 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.

15. 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 $113,906 and $117,081 for the years ended June 30, 2024 and 2023, respectively.