PULMONARY FIBROSIS FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

PULMONARY FIBROSIS FOUNDATION

YEAR ENDED JUNE 30, 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 statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Pulmonary Fibrosis Foundation has adopted ASU 2016-02, *Leases (Topic 842)*, effective July 1, 2022. Our opinion is not modified with respect to this matter.

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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ostrow Reisin Berk & Abrams, Ltd.

January 15, 2024

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023	
ASSETS	
Current assets:	
Cash and cash equivalents	$ 6,548,446
Investments	6,731,381
Accounts receivable	440,045
Contributions receivable	16,678
Pledges receivable	107,800
Contract receivable	124,750
Prepaid expenses	676,272
Total current assets	14,645,372
Property and equipment, net	58,836
Other assets:	
Operating lease right-of-use assets	1,445,455
Investments, noncurrent	325,269
Deposits	56,631
Intangibles, net	112,882
Prepaid expenses, net of current portion	150,000
Total other assets	2,090,237
Total assets	$ 16,794,445

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2023		
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$	437,952
Grants payable		388,687
Accrued liabilities		1,031,010
Contract liabilities		1,776,594
Current portion of operating lease liabilities		243,951
Total liabilities		3,878,194
Long-term liability:		
Operating lease liabilities, net of current portion		1,181,002
Total liabilities		5,059,196
Net assets:		
Without donor restrictions		7,809,572
With donor restrictions		3,925,677
Total net assets		11,735,249
Total liabilities and net assets	$	16,794,445

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2023	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support:			
Public support:			
Contributions	$ 3,612,612	$ 311,067	$ 3,923,679
In-kind contributions	426,962		426,962
Sponsorships	1,027,682	1,542,138	2,569,820
Special events	1,109,954	310,116	1,420,070
Total public support	6,177,210	2,163,321	8,340,531
Program service fees:			
Program service fees	3,894,673		3,894,673
Registration	1,335		1,335
Total program service fees	3,896,008		3,896,008
Other revenues and support:			
Debt forgiveness - Paycheck Protection Program loan	580,675		580,675
Miscellaneous income	9,075		9,075
Total other revenues and support	589,750		589,750
Net investment income:			
Interest and dividends	414,669		414,669
Realized gain on investments	5,134		5,134
Unrealized gain on investments	285,521		285,521
Investment management fees	(35,875)		(35,875)
Net investment income	669,449		669,449

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2023	Without donor restrictions	With donor restrictions	Total
Total revenue, gains, and other support before net assets released from restrictions	$ 11,332,417	$ 2,163,321	$ 13,495,738
Net assets released from restrictions	1,874,065	(1,874,065)	
Total revenue, gains, and other support	13,206,482	289,256	13,495,738
Expenses:			
Program services	8,140,653		8,140,653
Management and general	1,247,228		1,247,228
Fundraising	2,347,614		2,347,614
Total expenses	11,735,495		11,735,495
Change in net assets	1,470,987	289,256	1,760,243
Net assets:			
Beginning of year	6,338,585	3,636,421	9,975,006
End of year	$ 7,809,572	$ 3,925,677	$ 11,735,249

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023	Program services										Support services		
	Education	Legislative Advocacy	Outreach and Awareness	Care Center Network	PFF Patient 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
Accounting	3,693	1,308	2,965	3,255	3,621	1,779	2,533	481	1,815	21,450	7,195	15,329	43,974
Advertising	794		7,531	5,945	175,716	500	432,369	500		623,355		250	623,605
Bank fees							1,334			1,334	217	591	2,142
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
Internet service	3,165	473	1,666	990	1,085	510	842	364	1,012	10,107	1,979	5,540	17,626
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
Legal	1,080		10,703	3,548	2,588	225	495			18,639	12,680	8,141	39,460
Meetings and conferences				847						847			847
Miscellaneous	2,073	293	1,108	606	643	305	2,883	247	652	8,810	6,971	5,931	21,712
Occupancy	1,056	124	473	224	221	106	208	145	303	2,860	516	1,425	4,801
Office supplies	5,211	78	493	165	925	65	5,142	66	227	12,372	1,119	3,166	16,657
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
Shop PFF merchandise	28,076		706						197	28,979	508		29,487
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
Telephone	6,178	892	3,252	1,825	1,954	920	1,552	800	1,943	19,316	3,583	10,435	33,334
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

STATEMENT OF CASH FLOWS

Year ended June 30, 2023	
Cash flows from operating activities:	
Change in net assets	$ 1,760,243
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	105,251
Amortization of operating lease right-of-use assets	205,198
Realized gain on investments	(5,134)
Unrealized gain on investments	(285,521)
Donated securities	(379,477)
Forgiveness of debt - Paycheck Protection Program loan	(580,675)
(Increase) decrease in operating assets:	
Accounts receivable	(203,817)
Contributions receivable	33,287
Pledges receivable	(97,800)
Contract receivable	2,225,835
Sponsorships receivable	145,000
Other receivables	375,000
Prepaid expenses	(262,099)
Increase (decrease) in operating liabilities:	
Accounts payable	196,267
Grants payable	38,687
Accrued liabilities	(948,372)
Contract liabilities	(2,161,127)
Operating lease liabilities	(237,634)
Net cash used in operating activities	(76,888)

See notes to financial statements.

PULMONARY FIBROSIS FOUNDATION

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2023		
Cash flows from investing activities:		
Proceeds from sale of investments	$	416,665
Purchases of investments		(245,798)
Purchases of property and equipment		(13,559)
Net cash provided by investing activities		157,308
Net increase in cash and cash equivalents		80,420
Cash and cash equivalents, beginning of year		6,468,026
Cash and cash equivalents, end of year	$	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	$	269,603
Operating lease right-of-use assets of $1,519,547 were obtained in exchange for operating lease liabilities of $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, 2022, the Organization adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition method. This guidance requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The Organization elected the package of practical expedients to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any existing leases. In addition, the Organization elected to use hindsight to determine the lease terms of existing leases and assess impairment of right-of-use assets at the adoption date. The adoption of this standard resulted in the recognition of operating lease right-of-use assets of $131,106 and operating lease liabilities of $143,040 at July 1, 2022. See Note 7 for a description of lease commitments as of June 30, 2023.

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, 2023.

Cash and cash equivalents:

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

Investments:

Investments in marketable securities 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 $379,477 for the year ended June 30, 2023. Realized and unrealized gains and losses less external investment expenses are reflected in the statement of activities as net investment income. Money market accounts that are held in 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.

2. Summary of significant accounting policies (continued)

Accounts receivable:

Accounts receivable consist primarily of amounts due from sponsorships for educational programs, the PFF Summit, and PFF events.

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.

Contract receivable:

Contract receivable represents fee-for-service agreements between the Organization and various companies related to Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. As of June 30, 2023, contract receivable was $124,750, which represents fee-for-service agreements for the PFF Registry. As of June 30, 2022, contract receivable was $2,350,585 which represents fee-for-service agreements for the PFF Registry of $2,100,000 and various corporate partnerships of $250,585.

Allowance for doubtful accounts:

The Organization recognizes an allowance for losses on accounts, contributions, pledges, and contracts 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 assessment of specific identifiable customer accounts considered at risk or uncollectible. There was no allowance for doubtful accounts as of June 30, 2023.

Prepaid expenses:

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

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, and five to seven 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.

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 year ended June 30, 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, and PFF Registry site payment fees that relate to the year ended June 30, 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.

Program service fees

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)

Program service fees (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. An output method looks at the fair value of goods and services transferred to the customer to date. An input method will be based on the costs of labor and materials as the Organization incurs them. There are two primary 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.

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

	Point in time	Over time	Total
Program service fees	$ 2,061,358	$ 1,833,315	$ 3,894,673

Accounts receivable and contract assets

The Organization discloses receivables from contracts with customers separately in the statement 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. Accounts receivable are recorded when the right to the consideration becomes unconditional and are presented separately in the statement of financial position as contract receivable. Contract receivables were $124,750 and $2,350,585 as of June 30, 2023 and 2022, respectively. There were no contract assets as of June 30, 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.

A summary of significant changes to contract liabilities is shown below:

Balance, July 1, 2022	$	3,937,721
Amounts received in fiscal year 2023		1,733,546
Revenue recognized upon completion of performance obligations		(3,894,673)
Balance, June 30, 2023	$	1,776,594

Special events 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 in advance of the event. 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. The exchange portion of revenue recognized for the Broadway Belts! event was $42,587 for the year ended June 30, 2023.

Significant judgments

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Significant judgment was also required when determining whether revenue from contracts with customers was earned at a point in time or over time.

2. Summary of significant accounting policies (continued)

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 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 statement 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 Organization received approximately $300,000 of free advertising from a major retailer and $118,000 for on-line advertising from two other companies. 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 small amounts of food and supplies for use at events. 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 received during the year ended June 30, 2023.

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

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

2. Summary of significant accounting policies (continued)

Advertising:

The Organization expenses advertising costs as they are incurred.

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, 2023.

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by functions. In the statement 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, bank fees, processing fees, printing, event expense, grants, shop PFF merchandise and legal fees. 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, accounting fees, depreciation and amortization, dues and subscriptions, insurance, internet service, meetings and conferences, miscellaneous, occupancy, office supplies, postage, lease expense, software subscriptions, and telephone expenses.

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.

Subsequent events:

Subsequent events were evaluated through January 15, 2024, which is the date the financial statements were available to be issued.

3. 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 year ended June 30, 2023.

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

Investments in money market, mutual bonds, certificates of deposit, 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.

3. 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, 2023	Level 1	Total
Money market	$ 919,034	$ 919,034
Mutual funds	4,819,872	4,819,872
Certificate of deposit	1,241,125	1,241,125
Bonds	76,619	76,619
Total investments	$ 7,056,650	$ 7,056,650

The long-term portion of investments includes 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 statement of financial position.

4. 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. As of June 30, 2023, cash in excess of the limits totaled approximately $1,500,000. Management believes that the Organization is not exposed to any significant credit risk on cash.

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, 2023, certificates of deposit and reserve cash in excess of these limits totaled approximately $4,270,000. Management believes that the Organization is not exposed to any credit risk on certificates of deposit and reserve cash.

4. Concentrations of credit risk (continued)

For the year ended June 30, 2023, 27% of total revenue was from two funders. 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 98% of accounts receivable and one funder represents 98% of pledges receivable at June 30, 2023.

5. Related party transactions

Included in contributions on the statement of activities is $94,521 from Board members for the year ended June 30, 2023. In addition, the Board raises funds for various PFF Events.

6. Property and equipment

The Organization's property and equipment were as follows:

June 30, 2023		
Computer hardware and software	$	274,404
Accumulated depreciation		(215,568)
Property and equipment, net	$	58,836

Depreciation expense for the year ended June 30, 2023 was $28,001.

7. Leases

The Organization leases office and storage facilities with annual escalating lease payments through an operating lease expiring in November 2025. The lease includes one option to renew for three years which the Organization is reasonably certain to exercise. The Organization also leases copiers through an operating lease expiring in October 2023 and a postage machine through an operating lease expiring in August 2025. There are no variable costs included with the operating leases. Operating lease cost was $286,190 during the year ended June 30, 2023.

7. Leases (continued)

Future minimum payments due under the leases are as follows:

Year ending June 30:	Amount
2024	$ 291,261
2025	271,783
2026	295,955
2027	295,191
2028	295,191
Thereafter	122,996
Total lease payments	1,572,377
Imputed interest	(147,424)
Present value of operating lease liabilities	$ 1,424,953

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the operating leases for the year ended June 30, 2023:

Weighted-average remaining lease term (years)	5.4
Weighted-average discount rate	3.59%

8. Intangible assets

The Organization’s intangible assets were as follows:

June 30, 2023	
Trademarks	$ 69,129
Website development	247,020
Other intangibles	5,000
	321,149
Accumulated amortization	(208,267)
Intangible assets, net	$ 112,882

Amortization expense for the year ended June 30, 2023 was $77,250.

9. Accrued liabilities

Accrued liabilities consist of the following:

June 30, 2023		
PFF Registry site payments	$	519,794
Data coordinating center consulting		133,632
Other accrued expenses		101,923
Medical team expenses		197,777
Payroll and related benefits		77,884
Total accrued liabilities	$	1,031,010

10. 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 Company 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.

11. Net assets

Without donor restrictions:

Net assets without donor restrictions were as follows:

June 30, 2023		
Board-designated operating reserves	$	2,603,486
General		5,206,086
Total	$	7,809,572

11. Net assets (continued)

With donor restrictions:

Net assets with donor restrictions were as follows:

June 30, 2023	
Education	$ 481,401
Other	355,776
Outreach and Awareness	184,066
PFF Care Center Network	154,655
PFF Registry	1,100,248
PFF Summit	441,936
Research Grants	1,054,871
Support Groups	152,724
Total	$ 3,925,677

The following items were released from net assets with donor restrictions and reclassified to net assets without donor restrictions due to meeting either use or time restrictions:

Year ended June 30, 2023	
Education	$ 283,631
Legislative Advocacy	35,455
Other	446,454
Outreach and Awareness	117,298
PFF Care Center Network	319,209
PFF Registry	234,160
Research Grants	300,522
Support Groups	137,336
Total	$ 1,874,065

12. 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, 2023:

November 2023 - PFF Summit, Orlando, Florida	$ 724,031
November 2025 - PFF Summit, Chicago, Illinois	244,327
Total	$ 968,358

The Organization has several consulting contracts totaling $731,000 through 2026.

13. Special events

Revenues and expenses from special events are shown at the gross amounts in the statement of activities. Gross revenue and expense for each event was as follows:

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 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 year ended June 30, 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.

14. 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 $117,081 for the year ended June 30, 2023.

15. 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:

June 30, 2023	
Total assets at year-end	$ 16,794,445
Less nonfinancial assets:	
Prepaid expenses	676,272
Property and equipment	58,836
Operating lease right-of-use assets	1,445,455
Deposits	56,631
Intangibles, net	112,882
Total financial assets available within one year	14,444,369
Less:	
Assets included above, which are restricted to cover programmatic expenses in the next year:	
Restricted by donors with time or purpose restrictions	3,925,677
Total financial assets available to management for general expenditures within one year	$ 10,518,692

15. Liquidity and availability (continued)

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, 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.