

THE COALITION FOR PULMONARY FIBROSIS
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2008

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9
Supplementary Information	
Schedule of Functional Expenses	11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Coalition for Pulmonary Fibrosis
San Jose, California

We have audited the accompanying statement of financial position of The Coalition for Pulmonary Fibrosis (a California nonprofit public benefit corporation), as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Coalition for Pulmonary Fibrosis as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements of The Coalition for Pulmonary Fibrosis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Doran & Associates

March 19, 2009

THE COALITION FOR PULMONARY FIBROSIS
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
December 31, 2008

ASSETS

Current assets:	
Cash and cash equivalents (Note 1)	\$ -
Certificates of deposit	600,222
Prepaid expenses	<u>7,739</u>
Total current assets	607,961
Marketable equity securities (Note 2)	10,065
Furniture, fixtures, and equipment, net of accumulated depreciation of \$9,580 (Notes 1 and 3)	<u>6,161</u>
Total assets	<u>\$ 624,187</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Deficit of cash and cash equivalents	\$ 3,319
Accounts payable and accrued expenses	13,050
Accrued vacation	<u>25,776</u>
Total liabilities	<u>42,145</u>
Net assets:	
Unrestricted net assets	304,608
Temporarily restricted net assets (Note 4)	<u>277,434</u>
Total net assets	<u>582,042</u>
Total liabilities and net assets	<u>\$ 624,187</u>

The accompanying notes are an integral part of these financial statements.

THE COALITION FOR PULMONARY FIBROSIS
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STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Contributions	\$ 804,710	\$ 204,595	\$ 1,009,305
Grants	56,318	16,228	72,546
Special events, net (Note 5)	(2,931)	-	(2,931)
In-kind contributions (Note 6)	<u>9,539</u>	<u>-</u>	<u>9,539</u>
Total public support	867,636	220,823	1,088,459
Revenue:			
Investment income (Note 2)	19,079	-	19,079
Net assets released from restrictions (Note 4)	<u>173,719</u>	<u>(173,719)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,060,434</u>	<u>47,104</u>	<u>1,107,538</u>
EXPENSES			
Program services	616,200	-	616,200
General and administrative	138,468	-	138,468
Fundraising	<u>395,005</u>	<u>-</u>	<u>395,005</u>
Total expenses	<u>1,149,673</u>	<u>-</u>	<u>1,149,673</u>
Change in net assets	<u>(89,239)</u>	<u>47,104</u>	<u>(42,135)</u>
Net assets, beginning of year	313,451	310,726	624,177
Reclassification of net assets (Note 7)	<u>80,396</u>	<u>(80,396)</u>	<u>-</u>
Net assets, beginning of year as restated	<u>393,847</u>	<u>230,330</u>	<u>624,177</u>
Net assets, end of year	<u>\$ 304,608</u>	<u>\$ 277,434</u>	<u>\$ 582,042</u>

The accompanying notes are an integral part of these financial statements.

THE COALITION FOR PULMONARY FIBROSIS
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STATEMENT OF CASH FLOWS
For the year ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (42,135)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,461
Loss on disposal of equipment	1,558
Unrealized loss on investments	2,815
Contributions of securities received	(18,980)
Changes in assets and liabilities:	
Prepaid expenses	(7,739)
Accounts and grants receivable	480
Deficit of cash and cash equivalents	3,319
Accounts payable and accrued expenses	(47,620)
Accrued vacation	5,484
Total adjustments	<u>(58,222)</u>
Net cash used by operating activities	<u>(100,357)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture, fixtures and equipment	(2,115)
Purchase of certificates of deposit	(300,404)
Net sales of investments	<u>18,561</u>
Net cash used by investing activities	<u>(283,958)</u>

Net decrease in cash and cash equivalents (384,315)

Cash and cash equivalents, beginning of year 384,315

Cash and cash equivalents, end of year \$ -

Supplementary information:

Non-cash transactions:	
Contributions of securities	<u>\$ 18,980</u>

The accompanying notes are an integral part of these financial statements.

THE COALITION FOR PULMONARY FIBROSIS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Coalition for Pulmonary Fibrosis (a California public benefit corporation) was founded in 2001 and incorporated in 2003 to accelerate research efforts leading to a cure for idiopathic pulmonary fibrosis (IPF), while educating, supporting, and advocating for the community of patients, families, and medical professionals fighting this disease. The Corporation's major source of revenue is contributions.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of December 31, 2008.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

THE COALITION FOR PULMONARY FIBROSIS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2008

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Furniture, Fixtures and Equipment - The Corporation records furniture, fixtures and equipment at cost of acquisition, or, if donated, fair market value at date of donation. Depreciation is recognized using the straight-line method over the useful life of the assets, which ranges from five to seven years. The Corporation capitalizes all property and equipment with a cost in excess of \$1,000.

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

Income Taxes - The Corporation is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Accounts and Grants Receivable - It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

New Accounting Pronouncement, FAS-157, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for the Corporation for fiscal years beginning January 1, 2008. The adoption of FAS-157 is not expected to have a material impact on the Corporation's financial statements.

THE COALITION FOR PULMONARY FIBROSIS
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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2008

NOTE 2 MARKETABLE EQUITY SECURITIES

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the year ended December 31, 2008, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

<u>Description</u>	<u>Fair Value Measurements at December 31, 2008, Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Common Stocks	<u>\$ 10,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,065</u>

The following summarizes investment income for the year ended December 31, 2008, including amounts earned on certificates of deposit and interest-bearing cash accounts:

Unrealized loss on investments	\$ (2,815)
Interest income	<u>21,894</u>
	<u>\$ 19,079</u>

NOTE 3 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at December 31, 2008:

<u>Furniture, fixtures and equipment, at cost</u>	<u>Furniture and Fixtures</u>	<u>Computer Equipment</u>	<u>Total</u>
Balance, December 31, 2007	\$ 3,817	\$ 13,209	\$ 17,026
Additions	-	2,115	2,115
Disposals	-	(3,400)	(3,400)
Balance, December 31, 2008	<u>3,817</u>	<u>11,924</u>	<u>15,741</u>
<u>Accumulated depreciation</u>			
Balance, December 31, 2007	1,976	6,985	8,961
Depreciation expense	545	1,916	2,461
Disposals	-	(1,842)	(1,842)
Balance, December 31, 2008	<u>2,521</u>	<u>7,059</u>	<u>9,580</u>
Furniture, fixtures and equipment, net	<u>\$ 1,296</u>	<u>\$ 4,865</u>	<u>\$ 6,161</u>

THE COALITION FOR PULMONARY FIBROSIS
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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2008

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS AND TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTION

These are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets at December 31, 2008, are designated for the following uses:

Research	\$ 242,407
Research and Professional Education	28,216
Lung Transplant Education Materials	<u>6,811</u>
	<u>\$ 277,434</u>

During the year ended December 31, 2008, temporarily restricted funds were used for their restricted purposes or were held for specific time periods, and they were released to unrestricted net assets as follows:

Research	<u>\$ 173,719</u>
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NOTE 5 SPECIAL EVENTS

During the year ended December 31, 2008, the Corporation held three fundraising special events, including the "Breathing is Glorious" Ball and auction held in Chicago, and a golf tournament. Revenue from special events was recorded at the fair market value for goods and services provided, with all amounts in excess of fair market value recorded as contributions. Auction revenue was reduced by the value of related in-kind goods and services provided as auctioned items. Special event revenue consisted of the following:

Contribution	\$ 494,653
Grants	37,865
In-Kind	9,539
Auction revenue net of fair market value and cost of direct donor benefit	(2,931)
Direct Expenses	<u>(77,745)</u>
	<u>\$ 461,381</u>

NOTE 6 IN-KIND CONTRIBUTIONS

During the year ended December 31, 2008, the Corporation received the benefit of the following in-kind goods and services:

Auction items	<u>\$ 9,539</u>
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THE COALITION FOR PULMONARY FIBROSIS
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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2008

NOTE 7 RECLASSIFICATION OF NET ASSETS

During the year ended December 31, 2008, the Coalition performed a detailed analysis of funds received with donor restrictions, including amounts received in prior years. As a result of this analysis, a reclassification was made to reduce temporarily restricted net assets by \$80,396 and increase unrestricted net assets by the same amount.

NOTE 8 TAX SHELTERED ANNUITY

The Corporation has established a 403(b) deferred income plan for all employees who wish to participate. Voluntary contributions are made up to the extent permissible by law. The Corporation made no contribution to the plan during the year ended December 31, 2008.

NOTE 9 LONG-TERM CONTRACT

In March 2008 the Corporation entered into a three-year contract for Convio advocacy software. The contract for \$41,760, or \$13,920 per year, expires May 2011. During the year ended December 31, 2008, the Corporation paid \$13,920 to Convio.

Future minimum liabilities under the contract are as follows:

2009	\$ 13,920
2010	<u>13,920</u>
	<u>\$ 27,840</u>

NOTE 10 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Coalition relies on a significant amount of funding received in the form of donations and grants from individuals and foundations to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these sources. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Coalition's exposure to impact from these events.

SUPPLEMENTARY INFORMATION

THE COALITION FOR PULMONARY FIBROSIS
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2008

	Program Services	General and Administrative	Fundraising	Total
Payroll salaries and benefits	\$ 193,916	\$ 58,765	\$ 179,326	\$ 432,007
Office expenses	135,766	31,260	127,936	294,962
Professional services	252,351	45,494	70,443	368,288
Other expenses	<u>34,167</u>	<u>2,949</u>	<u>17,300</u>	<u>54,416</u>
	<u>\$ 616,200</u>	<u>\$ 138,468</u>	<u>\$ 395,005</u>	<u>\$ 1,149,673</u>