

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2007

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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, 2007, 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, 2007, 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.

Bunker & Company, LLP

June 18, 2008

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

STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Current assets:	
Cash and cash equivalents (Note 1)	\$ 384,315
Accounts receivable (Note 1)	<u>480</u>
Total current assets	384,795
Investments (Note 2)	312,279
Furniture, fixtures, and equipment, net of accumulated depreciation of \$8,961 (Notes 1 and 3)	<u>8,065</u>
Total assets	<u><u>\$ 705,139</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 60,670
Accrued vacation	<u>20,292</u>
Total liabilities	<u>80,962</u>
Net assets:	
Unrestricted net assets	313,451
Temporarily restricted net assets (Note 4)	<u>310,726</u>
Total net assets	<u>624,177</u>
Total liabilities and net assets	<u><u>\$ 705,139</u></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, 2007

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND TRANSFERS			
Public support:			
Contributions	\$ 894,083	\$ 95,726	\$ 989,809
Grants	12,125	215,000	227,125
Special events, net (Note 5)	(36,071)	-	(36,071)
In-kind contributions (Note 6)	<u>69,899</u>	<u>-</u>	<u>69,899</u>
Total public support	<u>940,036</u>	<u>310,726</u>	<u>1,250,762</u>
Revenue:			
Investment income (Note 2)	<u>38,551</u>	<u>-</u>	<u>38,551</u>
Net assets released from restrictions (Note 4)	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total support, revenue & transfers	<u>1,053,587</u>	<u>235,726</u>	<u>1,289,313</u>
EXPENSES			
Program services	724,871	-	724,871
General and administrative	127,874	-	127,874
Fundraising	<u>263,390</u>	<u>-</u>	<u>263,390</u>
Total expenses	<u>1,116,135</u>	<u>-</u>	<u>1,116,135</u>
Change in net assets	(62,548)	235,726	173,178
Net assets, beginning of year	<u>375,999</u>	<u>75,000</u>	<u>450,999</u>
Net assets, end of year	<u>\$ 313,451</u>	<u>\$ 310,726</u>	<u>\$ 624,177</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, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$ 173,178</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,239
Realized gain on investments	(359)
Contributions of securities received	(24,226)
Changes in assets and liabilities:	
Accounts and grants receivable	99,520
Accounts payable and accrued expenses	20,653
Accrued vacation	<u>17,569</u>
Total adjustments	<u>115,396</u>
Net cash provided by operating activities	<u>288,574</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture, fixtures and equipment	(2,038)
Net purchase of investments	<u>(266,035)</u>
Net cash used by investing activities	<u>(268,073)</u>

Net increase in cash and cash equivalents	20,501
Cash and cash equivalents, beginning of year	<u>363,814</u>
Cash and cash equivalents, end of year	<u>\$ 384,315</u>

Supplementary information:

Non-cash transactions:	
Contributions of securities	<u>\$ 24,226</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, 2007

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, 2007.

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, 2007

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.

NOTE 2 INVESTMENTS

Investments, which are carried at market value and are subject to market risk, consist of money market funds, which are included in cash and cash equivalents, and the following at December 31, 2007:

	<u>Cost</u>	<u>Market Value</u>
Stocks	\$ 12,851	\$ 12,461
Certificates of deposit	300,000	299,818
	<u>\$ 312,851</u>	<u>\$ 312,279</u>

The following summarizes the investment income for the year ended December 31, 2007:

Realized gain	\$ 359
Interest and dividend income, including amounts earned on money market accounts	38,192
	<u>\$ 38,551</u>

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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2007

NOTE 3 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at December 31, 2007:

Furniture, fixtures and equipment, at cost	Furniture and Fixtures	Computer Equipment	Total
Balance, December 31, 2006	\$ 3,817	\$ 11,171	\$ 14,988
Additions	<u>-</u>	<u>2,038</u>	<u>2,038</u>
Balance, December 31, 2007	<u>3,817</u>	<u>13,209</u>	<u>17,026</u>
<u>Accumulated depreciation</u>			
Balance, December 31, 2006	1,431	5,291	6,722
Depreciation expense	<u>545</u>	<u>1,694</u>	<u>2,239</u>
Balance, December 31, 2007	<u>1,976</u>	<u>6,985</u>	<u>8,961</u>
Furniture, fixtures and equipment, net	<u>\$ 1,841</u>	<u>\$ 6,224</u>	<u>\$ 8,065</u>

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

Temporarily restricted net assets consist of funds held for research and totaled \$310,726 at December 31, 2007. During the year ended December 31, 2007, \$75,000 was used for research and released from restriction.

NOTE 5 SPECIAL EVENTS

During the year ended December 31, 2007, the Corporation held two fundraising special events, including the "Breathing is Glorious" Ball and auction held in Chicago. 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	\$ 189,000
Grants	3,170
In-Kind	45,417
Auction revenue net of fair market value and cost of direct donor benefit	(36,071)
Direct Expenses	<u>(43,885)</u>
	<u>\$ 157,631</u>

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NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2007

NOTE 6 IN-KIND CONTRIBUTIONS

During the year ended December 31, 2007, the Corporation received the benefit of the following in-kind goods and services:

Printing	\$ 21,244
Auction items	45,417
Other	<u>3,238</u>
	<u>\$ 69,899</u>

NOTE 7 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, 2007.

NOTE 8 CONTINGENCIES

As of December 31, 2007, the Corporation had exceeded the Federal Depository Insurance Corporation limit of \$100,000 on its depository accounts. At December 31, 2007, approximately \$288,000 was on deposit in excess of federally insured limits.

NOTE 9 SUBSEQUENT EVENTS

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.

Future minimum liabilities under the contract are as follows:

2008	\$ 13,920
2009	13,920
2010	<u>13,920</u>
	<u>\$ 41,760</u>

SUPPLEMENTARY INFORMATION

THE COALITION FOR PULMONARY FIBROSIS
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SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2007

	Program Services	General and Administrative	Fundraising	Total
Payroll salaries and benefits	\$ 236,595	\$ 59,707	\$ 134,808	\$ 431,110
Office expenses	195,384	19,172	69,691	284,247
Professional services	268,154	44,854	55,515	368,523
Other expenses	<u>24,738</u>	<u>4,141</u>	<u>3,376</u>	<u>32,255</u>
	<u>\$ 724,871</u>	<u>\$ 127,874</u>	<u>\$ 263,390</u>	<u>\$ 1,116,135</u>