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**AMERICAN AUTOIMMUNE RELATED  
DISEASES ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2005**

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To The Board Of Trustees

American Autoimmune Related Diseases Association, Inc.

We have audited the accompanying balance sheet of American Autoimmune Related Diseases Association, Inc. (a Michigan not-for-profit corporation) as of September 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 above present fairly, in all material respects, the financial position of American Autoimmune Related Diseases Association, Inc. as of September 30, 2005, 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.

*Godfrey Hammel, Danneels & Company, P.C.*

St. Clair Shores, Michigan  
November 21, 2005

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**BALANCE SHEET**  
**September 30, 2005**

**ASSETS**

Cash and cash equivalents	\$ 164,554	
Certificate of deposit (Note 4)	79,173	
Pledges receivable	12,000	
Fixed assets - net (Note 3)	<u>220,417</u>	
		<u>\$ 476,144</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:		
Accounts payable	\$ 8,173	
Accrued wages	15,046	
Accrued retirement plan contributions	<u>711</u>	
		\$ 23,930
Fund Balance -		
Unrestricted		<u>452,214</u>
		<u>\$ 476,144</u>

See accompanying notes.



**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended September 30, 2005**

	Program Services			Supporting Services		
	Total	Education	Awareness	Research	Manage- ment And General	Fund Raising
In-Kind:						
Services	\$ 974,475	\$ 313,212	\$ 407,721	\$ 187,266	\$ 27,979	\$ 38,297
Other	-	-	-	-	-	-
Total In-Kind	<u>974,475</u>	<u>313,212</u>	<u>407,721</u>	<u>187,266</u>	<u>27,979</u>	<u>38,297</u>
Expenses:						
Wages	180,777	99,473	68,515	-	7,603	5,186
Temporary help	2,628	2,129	236	-	-	263
Professional fees	4,800	-	-	-	4,800	-
Postage and shipping	12,111	6,402	4,288	-	167	1,254
Public relations	50,477	12,994	33,091	-	-	4,392
Printing and stationery	14,665	6,404	6,191	-	39	2,031
Office supplies	3,204	1,461	1,467	-	122	154
Operating supplies	2,393	163	2,190	-	26	14
Dues and subscriptions	2,574	1,549	-	950	75	-
Filing fees	2,695	866	833	-	443	553
Equipment rental and maintenance	1,944	1,053	727	-	82	82
Telephone	6,411	2,858	3,248	-	204	101
Insurance	2,840	710	710	-	710	710
State and national meetings	24,453	8,377	3,558	11,784	125	609
Travel	14,151	5,070	3,713	4,547	30	791
Depreciation	7,571	3,049	3,049	711	508	254
Payroll taxes	14,773	8,129	5,599	-	621	424
Insurance - health	8,171	4,494	3,105	-	163	409
Fund raising	6,035	-	-	-	-	6,035
Board expenses	1,421	50	50	-	1,271	50
Grants	97,750	-	-	97,750	-	-
Repairs and maintenance	1,483	803	558	-	61	61
Utilities	3,689	1,736	1,736	-	143	74
Retirement plan contributions	11,174	5,400	4,697	-	703	374
Interest expense	2,070	973	973	-	83	41
Miscellaneous	501	102	102	-	297	-
	<u>480,761</u>	<u>174,245</u>	<u>148,636</u>	<u>115,742</u>	<u>18,276</u>	<u>23,862</u>
	<u>\$ 1,455,236</u>	<u>\$ 487,457</u>	<u>\$ 556,357</u>	<u>\$ 303,008</u>	<u>\$ 46,255</u>	<u>\$ 62,159</u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended September 30, 2005**

**Cash Flows From Operating Activities:**

Excess of support and revenue over expenses	\$ 1,311	
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	7,571	
Decrease in pledges receivable	17,812	
Increase in accrued wages	51	
Increase in accounts payable	4,443	
Increase in accrued retirement	711	
Decrease in deposits	<u>(15,325)</u>	
Net Cash Provided By Operating Activities		\$ 16,574

**Cash Flows Used By Financing Activities -**

Principal payments on mortgage		<u>(70,974)</u>
Net Decrease In Cash		(54,400)
Cash At Beginning Of Year		<u>298,127</u>
Cash At End Of Year		<u><u>\$ 243,727</u></u>

**Schedule Of Non-Cash Transactions:**

Contributed services and contributions in-kind received	\$ 974,475	
Contributed services and contributions in-kind expenses	<u>974,475</u>	
		<u><u>\$ -</u></u>

**Supplementary Disclosures Of Cash Flow Information:**

Cash paid during the year for -		
Interest		<u><u>\$ 2,070</u></u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2005**

**Note 1 - ORGANIZATION**

American Autoimmune Related Diseases Association, Inc. was organized as a nonprofit corporation under the laws of the State of Michigan in December, 1991 and started operations in July, 1992. The organization was formed for the purpose of eradicating autoimmune diseases, and the physical, emotional, financial, and societal suffering caused by these diseases, through research, education, and supportive services.

**Note 2 - SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

The accompanying financial statements have been prepared on the accrual method of accounting, with revenues being recorded when earned and expenses when incurred.

Definition Of Cash

For the purposes of the balance sheet and the statement of cash flows, the Association considers all cash accounts including petty cash, checking, money market and certificate accounts with an initial maturity of ninety days or less to be the total cash at the beginning and end of the period.

Property And Depreciation

Purchased property is stated at cost. Donated property is stated at fair value at date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Donated Materials And Services

The Association records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and services are reflected as contributions in-kind and contributed services in the accompanying statements.

Income Taxes

The Association received a determination letter from the Internal Revenue Service indicating that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2005**

**Note 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use Of Estimates

The preparation of financial statements using 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.

Concentrations Of Credit Risks

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash investments. The Association maintains its cash balances in one financial institution located in Detroit, Michigan. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, 2005, the Association's uninsured cash balance was \$211,141.

**Note 3 - FIXED ASSETS**

Fixed assets consist of the following at September 30, 2005:

Land	\$ 25,000
Building	230,839
Furniture And Equipment (At Cost/Value)	<u>31,755</u>
Total	287,594
Accumulated Depreciation	<u>(67,177)</u>
Net Book Value	<u>\$ 220,417</u>

**Note 4 - CERTIFICATE OF DEPOSIT**

LaSalle Bank certificate of deposit; maturing July 25, 2006; interest at 3.950%.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2005**

**Note 5 - DONATED MATERIAL AND SERVICES**

Contributed Services

Substantial services are provided by non-compensated volunteers. Accordingly, contributed services are reflected in the financial statements. The Board's policy is to record contributed services as follows:

Consulting services	\$ 80.00 per hour
Administrative services	\$ 30.00 per hour
Program volunteer	\$ 15.00 per hour
Support volunteer	\$ 6.50 per hour

Contributions In-Kind

Donated materials are recorded at their estimated market value at date of receipt.

**Note 6 - STATEMENT OF FUNCTIONAL EXPENSES**

This statement is prepared on the basis of percentages developed by the Association along with actual expenses attributed to certain functions. These percentages are evaluated by the Association's management on an annual basis so as to properly reflect the current changes in cost allocations.

**Note 7 - INVESTMENTS**

Investment return is summarized as follows:

Interest income	<u>\$ 3,594</u>
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**Note 8 - RETIREMENT PLAN**

The Organization maintains 403(B) defined contribution plan which covers substantially all employees. Employees can make salary deferrals up to \$12,000 and \$13,000 for 2003 and 2004, respectively. In addition, allowable "catch up" deferrals, for participants aged 50 and over, were \$2,000 and \$3,000 for 2003 and 2004, respectively. The Organization will match 100% of the first 20% of the participant's deferral contribution.

Employer matching contributions to the Plan for the years ended December 31, 2004 and 2003 were \$10,092 and \$7,558, respectively.