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

FINANCIAL STATEMENTS

Year Ended September 30, 2007

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 statement of financial position of American Autoimmune Related Diseases Association, Inc. (a Michigan not-for-profit corporation) as of September 30, 2007, 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, 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.

Godfrey Hammel, Danneels & Company, P.C.

St. Clair Shores, Michigan
January 29, 2008

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2007

ASSETS

Cash and cash equivalents	\$ 224,023	
Certificate of deposit	86,821	
Deposits	10,000	
Fixed assets - net	<u>212,141</u>	
		<u>\$ 532,985</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 8,682	
Accrued wages	16,099	
Accrued retirement plan contributions	<u>1,233</u>	
		\$ 26,014
Fund Balance -		
Unrestricted		<u>506,971</u>
		<u>\$ 532,985</u>

See accompanying notes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2007

	Program Services			Supporting Services		
	Total	Education	Awareness	Research	Manage- ment And General	Fund Raising
In-Kind Services	\$ 1,424,740	\$ 294,786	\$ 911,669	\$ 163,666	\$ 31,244	\$ 23,375
Expenses:						
Wages	215,358	116,877	77,312	2,954	10,768	7,447
Professional fees	7,378	420	-	-	6,958	-
Postage and shipping	14,348	7,975	5,217	404	196	556
Public relations	45,847	9,531	31,338	-	-	4,978
Printing and stationery	18,747	8,704	5,869	2,850	80	1,244
Office supplies	4,019	1,461	1,461	912	123	62
Operating supplies	1,642	644	816	59	116	7
Dues and subscriptions	1,821	1,538	68	100	115	-
Filing fees	3,851	706	1,766	-	673	706
Equipment rental and maintenance	4,105	2,196	1,613	-	148	148
Telephone	5,958	2,749	2,912	-	198	99
Insurance	2,940	735	735	-	735	735
State and national meetings	16,060	6,493	4,163	4,473	824	107
Travel	24,470	7,119	5,931	10,818	409	193
Depreciation	7,632	2,583	2,583	822	822	822
Payroll taxes	17,458	6,345	5,288	4,367	834	624
Insurance - health	8,543	4,611	3,456	-	136	340
Fund raising	491	-	-	-	-	491
Board expenses	604	-	-	-	604	-
Grants	103,000	1,500	-	101,500	-	-
Repairs and maintenance	1,735	954	607	-	87	87
Utilities	3,960	1,946	1,792	-	148	74
Retirement plan contributions	13,530	6,452	5,634	87	895	462
Miscellaneous	720	83	83	-	554	-
	<u>524,217</u>	<u>191,622</u>	<u>158,644</u>	<u>129,346</u>	<u>25,423</u>	<u>19,182</u>
	<u>\$ 1,948,957</u>	<u>\$ 486,408</u>	<u>\$ 1,070,313</u>	<u>\$ 293,012</u>	<u>\$ 56,667</u>	<u>\$ 42,557</u>

See accompanying notes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2007

Cash Flows From Operating Activities:

Excess of support and revenue over expenses	\$ 54,382	
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	7,632	
Increase in certificate of deposit	(4,306)	
Decrease in pledges receivable	5,000	
Increase in deposits	(10,000)	
Increase in accounts payable	2,670	
Increase in accrued wages	(366)	
Increase in accrued retirement	192	
Net Cash Provided By Operating Activities	\$ 55,204	

Cash Flows Used By Investing Activities -

Acquisition of fixed assets		(3,697)
Net Increase In Cash		51,507
Cash At Beginning Of Year		172,516
Cash At End Of Year		\$ 224,023

See accompanying notes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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.

Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses 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.

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.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2007, the Association's uninsured cash balance was \$244,032.

Note 3 - FIXED ASSETS

Fixed assets consist of the following at September 30, 2007:

Land	\$ 25,000
Building	230,839
Furniture And Equipment (At Cost/Value)	<u>38,437</u>
Total	294,276
Accumulated Depreciation	<u>(82,135)</u>
Net Book Value	<u>\$ 212,141</u>

Note 4 - CERTIFICATE OF DEPOSIT

LaSalle Bank certificate of deposit; maturing February 2, 2008; interest at 5.15%.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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	\$ 100.00 per hour
Administrative services	\$ 40.00 per hour
Program volunteer	\$ 16.00 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 - INVESTMENT RETURN

Investment return is summarized as follows:

Interest earned on certificate of deposit	\$ 4,308
Dividends received on money market funds	<u>5,832</u>
	<u>\$ 10,140</u>

Note 8 - RETIREMENT PLAN

The Organization maintains 403(B) defined contribution plan which covers substantially all employees. Employees can make salary deferrals up to \$14,000 and \$15,000 for 2005 and 2006, respectively. In addition, allowable "catch up" deferrals, for participants aged 50 and over, were \$4,000 and \$5,000 for 2005 and 2006, 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, 2006 and 2005 were \$11,298 and \$10,064, respectively.