

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

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2006**

**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, 2006, 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, 2006, 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, 2006

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**BALANCE SHEET**  
**September 30, 2006**

**ASSETS**

Cash and cash equivalents	\$ 172,516	
Certificate of deposit (Note 4)	82,513	
Pledges receivable	5,000	
Fixed assets - net (Note 3)	<u>216,075</u>	
		<u>\$ 476,104</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:		
Accounts payable	\$ 6,010	
Accrued wages	16,465	
Accrued retirement plan contributions	<u>1,041</u>	
		\$ 23,516
Fund Balance -		
Unrestricted		<u>452,588</u>
		<u>\$ 476,104</u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended September 30, 2006**

Support And Revenue:		
Contributions	\$ 491,432	
Contributions in-kind	989,815	
Net investment return (Note 7)	6,697	
Total Support And Revenue	<u>                    </u>	<u>\$ 1,487,944</u>
Expenses:		
Program services:		
Education	567,567	
Public awareness	550,483	
Research	256,195	
Total program services	<u>                    </u>	1,374,245
Supporting services:		
Management and general	59,514	
Fund raising	53,812	
Total supporting services	<u>                    </u>	<u>113,326</u>
Total Expenses		<u>1,487,571</u>
Excess Of Support And Revenue Over Expenses		373
Fund Balance, Beginning Of Year		<u>452,215</u>
Fund Balance, End Of Year		<u><u>\$ 452,588</u></u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended September 30, 2006**

	<u>Total</u>	<u>Program Services</u>			<u>Supporting Services</u>	
		<u>Education</u>	<u>Awareness</u>	<u>Research</u>	<u>Manage- ment And General</u>	<u>Fund Raising</u>
In-Kind Services	\$ 989,815	\$ 363,746	\$ 396,690	\$ 158,678	\$ 37,374	\$ 33,327
Expenses:						
Wages	208,523	114,606	73,314	1,427	12,002	7,174
Professional fees	5,548	-	-	-	5,548	-
Postage and shipping	15,385	9,305	5,091	-	220	769
Public relations	40,400	5,493	30,417	-	-	4,490
Printing and stationery	19,109	10,220	7,246	92	227	1,324
Office supplies	3,356	1,609	1,538	-	133	76
Operating supplies	2,410	942	1,346	-	43	79
Dues and subscriptions	2,264	1,514	75	600	75	-
Filing fees	4,063	361	2,980	-	361	361
Equipment rental and maintenance	2,965	1,608	1,113	-	122	122
Telephone	7,112	3,776	3,024	-	208	104
Insurance	3,104	776	776	-	776	776
State and national meetings	43,796	20,585	4,697	17,902	-	612
Travel	15,655	8,994	3,343	2,597	125	596
Depreciation	7,328	3,104	3,104	560	280	280
Payroll taxes	16,761	6,835	5,178	3,284	774	690
Insurance - health	9,405	5,173	3,574	-	188	470
Fund raising	1,989	-	-	-	-	1,989
Board expenses	832	832	-	-	-	-
Professional training	341	43	43	255	-	-
Grants	70,800	-	-	70,800	-	-
Repairs and maintenance	1,795	987	628	-	90	90
Utilities	4,178	1,964	1,964	-	167	83
Retirement plan contributions	10,587	5,094	4,332	-	761	400
Miscellaneous	50	-	10	-	40	-
	<u>497,756</u>	<u>203,821</u>	<u>153,793</u>	<u>97,517</u>	<u>22,140</u>	<u>20,485</u>
	<u>\$ 1,487,571</u>	<u>\$ 567,567</u>	<u>\$ 550,483</u>	<u>\$ 256,195</u>	<u>\$ 59,514</u>	<u>\$ 53,812</u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended September 30, 2006**

**Cash Flows From Operating Activities:**

Excess of support and revenue over expenses	\$ 373	
Adjustments to reconcile excess of support and revenue over expenses to cash provided by operating activities:		
Depreciation	7,328	
Increase in certificate of deposit	(82,513)	
Decrease in pledges receivable	7,000	
Decrease in investments	79,173	
Increase in accrued wages	1,419	
Decrease in accounts payable	(2,165)	
Increase in accrued retirement	330	
Net Cash Provided By Operating Activities	<u>373</u>	\$ 10,945

**Cash Flows Used By Investing Activities -**

Acquisition of fixed assets		<u>(2,986)</u>
Net Decrease In Cash		7,959
Cash At Beginning Of Year		<u>164,557</u>
Cash At End Of Year		<u><u>\$ 172,516</u></u>

**Schedule Of Non-Cash Transactions:**

Contributed services and contributions in-kind received	\$ 989,815	
Contributed services and contributions in-kind expenses	<u>989,815</u>	
		<u><u>\$ -</u></u>

**Supplementary Disclosures Of Cash Flow Information:**

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

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**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, 2006**

**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, 2006, the Association's uninsured cash balance was \$165,550.

**Note 3 - FIXED ASSETS**

Fixed assets consist of the following at September 30, 2006:

Land	\$ 25,000
Building	230,839
Furniture And Equipment (At Cost/Value)	<u>34,741</u>
Total	290,580
Accumulated Depreciation	<u>(74,505)</u>
Net Book Value	<u>\$ 216,075</u>

**Note 4 - CERTIFICATE OF DEPOSIT**

LaSalle Bank certificate of deposit; maturing June 30, 2007; interest at 5.1%.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

**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 - INVESTMENT RETURN**

Investment return is summarized as follows:

Interest earned on certificate of deposit	\$ 697
Dividends received on money market funds	<u>6,000</u>
	<u>\$ 6,697</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 \$13,000 and \$14,000 for 2004 and 2005, respectively. In addition, allowable "catch up" deferrals, for participants aged 50 and over, were \$3,000 and \$4,000 for 2004 and 2005, 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, 2005 and 2004 were \$10,064 and \$10,092, respectively.