



Godfrey Hammel, Danneels & Company, P.C.  
Certified Public Accountants & Business Consultants

www.ghdcpa.com

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Fax: 586.772.6715

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586.772.8100

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21420 Greater Mack Avenue, St. Clair Shores, Michigan 48080

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

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2010**

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.

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Michigan 48080

St. Clair Shores,

21420 Greater Mack Avenue,

## 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, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of American Autoimmune Related Diseases Association, Inc. 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, 2010, 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  
December 29, 2010

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2010**

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**ASSETS**

Cash and cash equivalents	\$ 396,910	
Certificates of deposit	197,057	
Fixed assets - net	<u>207,410</u>	
<b>Total Assets</b>		<b><u><u>\$ 801,377</u></u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 18,888	
Accrued wages	26,918	
Accrued retirement plan contributions	<u>607</u>	
		\$ 46,413
<b>Net Assets -</b>		
Unrestricted		<u>754,964</u>
<b>Total Liabilities and Net Assets</b>		<b><u><u>\$ 801,377</u></u></b>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2010**

<b>Support and Revenue:</b>		
Fundraising income	\$ 75,374	
Contributions	645,599	
Contributions in-kind	1,350,575	
Net investment return	5,796	
<b>Total Support and Revenue</b>		\$ 2,077,344
<b>Expenses:</b>		
Program services:		
Education	595,780	
Public awareness	953,086	
Research	496,387	
<b>Total program services</b>		2,045,253
Supporting services:		
Management and general	58,566	
Fund raising	59,933	
<b>Total supporting services</b>		118,499
<b>Total Expenses</b>		2,163,752
<b>Change In Net Assets (Note 11)</b>		(86,408)
Net Assets, Beginning of Year		841,372
<b>Net Assets, End of Year</b>		\$ 754,964

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2010**

	Total	Program Services			Supporting Services	
		Education	Public Awareness	Research	Management and General	Fund Raising
<b>In-Kind Services</b>	<u>\$ 1,350,574</u>	<u>\$ 302,768</u>	<u>\$ 750,911</u>	<u>\$ 243,789</u>	<u>\$ 29,217</u>	<u>\$ 23,889</u>
<b>Expenses:</b>						
Wages	289,781	166,067	105,178	-	9,182	9,354
Professional fees	15,416	1,250	1,250	2,500	10,416	-
Postage and shipping	15,011	8,221	5,812	-	176	802
Public relations	54,019	22,499	25,738	-	-	5,782
Printing and stationery	14,945	5,517	8,619	535	8	266
Office supplies	4,805	1,860	1,803	905	164	73
Operating supplies	573	429	60	-	83	1
Dues and subscriptions	5,502	2,734	1,993	700	75	-
Filing fees	4,007	594	525	-	1,499	1,389
Equipment rental and maintenance	3,815	1,868	1,464	-	101	382
Telephone	5,121	2,407	2,407	-	205	102
Insurance	5,099	832	832	-	832	2,603
State and national meetings	85,081	27,104	13,900	43,681	199	197
Travel	44,277	14,716	6,951	21,438	889	283
Depreciation	7,732	2,895	1,952	2,369	284	232
Payroll taxes	24,869	9,947	7,212	5,720	995	995
Insurance - health	13,907	6,809	5,873	-	740	485
Fund raising	12,469	-	-	-	-	12,469
Board expenses	2,263	-	-	-	2,263	-
Professional training	11,695	2,875	2,875	5,750	195	-
Grants	174,500	5,500	-	169,000	-	-
Repairs and maintenance	1,432	778	508	-	73	73
Utilities	4,313	2,027	2,027	-	173	86
Retirement plan contributions	12,280	5,950	5,076	-	784	470
Miscellaneous	266	133	120	-	13	-
<b>Total Expenses</b>	<u>813,178</u>	<u>293,012</u>	<u>202,175</u>	<u>252,598</u>	<u>29,349</u>	<u>36,044</u>
<b>Total Functional Expenses</b>	<u>\$ 2,163,752</u>	<u>\$ 595,780</u>	<u>\$ 953,086</u>	<u>\$ 496,387</u>	<u>\$ 58,566</u>	<u>\$ 59,933</u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2010**

<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (86,408)	
Adjustments to reconcile excess of expenses over support and revenue to cash provided by operating activities:		
Depreciation	7,732	
Decrease in accounts payable	8,373	
Increase in accrued wages	(10,160)	
Decrease in grants payable	(40,000)	
Decrease in accrued retirement plan contributions	-	
<b>Net Cash Used by Operating Activities</b>		<b>\$ (120,463)</b>
<b>Cash Flows From Investing Activities:</b>		
Decrease in certificates of deposit	98,982	
Acquisition of fixed assets	(788)	
<b>Net Cash Provided by Investing Activities</b>		<b>98,194</b>
<b>Net Decrease In Cash and Cash Equivalents</b>		<b>(22,269)</b>
Cash and Cash Equivalents at Beginning of Year		<u>419,179</u>
<b>Cash and Cash Equivalents at End of Year</b>		<b><u>\$ 396,910</u></b>
<b>Schedule of Non-Cash Transactions:</b>		
Contributed services and contributions in-kind received	\$ 1,350,574	
Contributed services and contributions in-kind expenses	<u>1,350,574</u>	
		<u>\$ -</u>

See accompanying notes.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**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. The Organization's major sources of support and revenue include corporate contributions as well as from the general public. In addition, the Organization holds various fundraisers throughout the year to promote their cause.

**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.

Financial Statement Presentation

Under Statement of Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. All of the Organization's funds represent unrestricted net assets.

In accordance with FASB ASC 958, contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all certificate accounts with an original maturity of ninety days or less to be cash equivalents.

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.



**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

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.

Exempt Tax Status

The Organization is a nonprofit corporation described in Internal Revenue Code Section 501(c)(3) and as such is exempt from income tax under Section 501(a).

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, both of which are superseded by FASB ASC Topic 740. FASB ASC Topic 740 is effective for the Organization's year ended September 30, 2010, and the Organization adopted FASB ASC Topic 740 as of October 1, 2009. FASB ASC Topic 740 prescribes the minimum recognition threshold and measurement attribute for disclosure of tax positions previously taken or expected to be taken on an income tax return, in order for those tax positions to be recognized in the Organization's financial statements. Under the FASB ASC Topic 740, the Organization's continued status as an exempt organization is considered to be a "tax position" in that the Organization must adhere to various requirements to remain tax-exempt. In addition, any Organization activities that may subject it to "unrelated business taxable income" are also considered tax positions. Management has analyzed the Organization's material tax positions as of October 1, 2009, and as of September 30, 2010 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**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 Risk

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 insured financial institutions. From time to time, balances may exceed amounts insured by the Federal Deposit Insurance Corporation.

Fair Value Measurements

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. FASB ASC Topic 820 applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date.

FASB ASC Topic 820 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable data (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access. Inputs to the valuation methodology include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

Fair Value Measurements (Continued)

Level 2 - Inputs other than quoted prices that are observable for the asset or liability. Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Note 3 - FIXED ASSETS**

Fixed assets consist of the following at September 30, 2010:

Land	\$ 25,000
Building	233,339
Furniture and fixtures	<u>56,632</u>
Total	314,971
Less: Accumulated depreciation	<u>107,561</u>
<b>Net Book Value</b>	<b><u>\$ 207,410</u></b>

**Note 4 - CERTIFICATES OF DEPOSIT**

Investment in certificates of deposit are recorded at fair market value and include the following at September 30, 2010:

Bank of America; interest at 1.34% annually; original issue date November 19, 2009; matures November 19, 2010.	\$ 94,288
Comerica Bank; interest at .50% annually; original issue date January 26, 2010; matures January 26, 2011.	<u>102,769</u>
<b>Total</b>	<b><u>\$ 197,057</u></b>

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**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 - FAIR VALUE MEASUREMENTS**

Fair value of assets measured on a recurring basis at September 30, 2010 are as follows:

	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 197,057	\$ 197,057	\$ -	\$ -
<b>Total Investments</b>	<b>\$ 197,057</b>	<b>\$ 197,057</b>	<b>\$ -</b>	<b>\$ -</b>

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial statements:

- Certificate of deposit investments: The fair values are based on quoted market prices for those or similar investments.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**Note 7 - STATEMENT OF FUNCTIONAL EXPENSES**

This statement is prepared on the basis of percentages developed by the Organization 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 8 - INVESTMENT RETURN**

Investment return is summarized as follows:

Interest earned on certificate of deposit	\$ 5,778
Dividends earned on money market fund	<u>18</u>
<b>Total</b>	<b><u>\$ 5,796</u></b>

**Note 9 - RETIREMENT PLAN**

The Organization maintains 403(B) defined contribution plan which covers substantially all employees. Employees can make salary deferrals up to \$16,500 for both years. In addition, allowable "catch up" deferrals, for participants aged 50 and over, were \$5,500 for both years. The Organization will match 100% of the first 20% of the participant's deferral contribution.

Employer matching contributions to the Plan for the plan year ended September 30, 2010 were \$12,280.

**Note 10 - CONCENTRATION OF GRANTS**

Approximately \$170,000 of the Organization's grants received for the year ended September 30, 2010 was provided from various grants from a single corporate contributor.

**Note 11 - BOARD DECISIONS**

During the year ended September 30, 2010, the Board of Directors elected to provide additional grants specifically for research and utilized a portion of the accumulated net asset balance from prior years. Accordingly, the change in net assets of (\$86,408) includes discretionary grants made during the year of \$174,000.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**Note 12 - SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2010, the most recent statement of financial position presented therein, through December 29, 2010, the date the financial statements were issued. No such significant events or transactions were identified.

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