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**AMERICAN AUTOIMMUNE RELATED
DISEASES ASSOCIATION**

FINANCIAL STATEMENTS

Year Ended September 30, 2013

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Autoimmune Related Diseases Association

Report on the Financial Statements

We have audited the accompanying financial statements of American Autoimmune Related Diseases Association (a Michigan nonprofit corporation), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Godfrey Hammel, Danneels & Company, P.C.

St. Clair Shores, Michigan
January 22, 2014

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
STATEMENT OF FINANCIAL POSITION
September 30, 2013

ASSETS

Cash and cash equivalents	\$ 522,059
Investments	96,000
Property and equipment, net	<u>180,373</u>
Total Assets	<u><u>\$ 798,432</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 15,479
Accrued wages	23,451
Accrued retirement plan contributions	<u>918</u>
Total Liabilities	<u><u>39,848</u></u>

Net Assets:

Unrestricted	721,759
Temporarily restricted	<u>36,825</u>
Total Net Assets	<u><u>758,584</u></u>

Total Liabilities and Net Assets	<u><u>\$ 798,432</u></u>
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The accompanying notes are an integral part of these financial statements.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 544,927	\$ 36,825	\$ 581,752
Less: donor designations	(50,000)	-	(50,000)
Net Contributions	494,927	36,825	531,752
In-kind goods and services	840,099	-	840,099
Fundraising income	171,501	-	171,501
Interest income	2,300	-	2,300
Total Support and Revenue Before Net Assets Released From Restrictions	1,508,827	36,825	1,545,652
Net Assets Released From Restrictions	32,026	(32,026)	-
Total Support and Revenue	1,540,853	4,799	1,545,652
Expenses:			
Program services:			
Education	426,722	-	426,722
Public awareness	754,924	-	754,924
Research	232,722	-	232,722
Total program services	1,414,368	-	1,414,368
Supporting services:			
Management and general	34,888	-	34,888
Fund raising	80,923	-	80,923
Total supporting services	115,811	-	115,811
Total Expenses	1,530,179	-	1,530,179
Change In Net Assets	10,674	4,799	15,473
Net Assets, Beginning of Year	711,085	32,026	743,111
Net Assets, End of Year	<u>\$ 721,759</u>	<u>\$ 36,825</u>	<u>\$ 758,584</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
STATEMENT OF FUNTIONAL EXPENSES
Year Ended September 30, 2013

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Education</u>	<u>Public</u>			<u>Manage- ment and General</u>	<u>Fund Raising</u>	
		<u>Awareness</u>	<u>Research</u>				
In-Kind Goods and Services	\$142,276	\$ 567,862	\$ 92,197	\$ 802,335	\$11,387	\$ 26,377	\$ 840,099
Other Expenses:							
Wages	172,145	97,792	8,328	278,265	5,853	12,365	296,483
Temporary help	3,557	-	-	3,557	-	-	3,557
Professional fees	6,077	9,520	-	15,597	10,222	2,699	28,518
Postage and shipping	9,094	6,094	-	15,188	218	1,307	16,713
Public relations	11,019	20,085	500	31,604	-	-	31,604
Printing and stationery	13,916	8,049	-	21,965	58	590	22,613
Office supplies	1,531	1,531	-	3,062	130	65	3,257
Operating supplies	893	1,069	-	1,962	11	364	2,337
Dues and subscriptions	2,445	698	500	3,643	110	-	3,753
Filing fees	330	455	-	785	242	330	1,357
Equipment maintenance	1,682	1,554	-	3,236	30	800	4,066
Telephone	2,160	2,160	-	4,320	180	143	4,643
Insurance	1,176	1,176	-	2,352	984	1,176	4,512
State and national meetings	16,105	8,364	3,436	27,905	75	1,039	29,019
Travel	8,203	4,984	3,792	16,979	351	1,015	18,345
Depreciation	3,724	2,370	2,414	8,508	298	691	9,497
Payroll taxes	9,575	6,122	6,236	21,933	769	1,785	24,487
Insurance - health	8,470	7,004	293	15,767	777	650	17,194
Fundraising:							
Poker room	-	-	-	-	-	6,994	6,994
Golf outing	-	-	-	-	-	9,917	9,917
Derby	-	-	-	-	-	8,463	8,463
Howling at the moon	-	-	-	-	-	3,606	3,606
Board expenses	-	-	-	-	2,221	-	2,221
Professional training	-	-	-	-	75	-	75
Grants	3,000	-	115,026	118,026	-	-	118,026
Repairs and maintenance	979	623	-	1,602	89	89	1,780
Utilities	2,078	2,078	-	4,156	177	88	4,421
Retirement plan contributions	6,287	5,334	-	11,621	631	370	12,622
Total Other Expenses	<u>284,446</u>	<u>187,062</u>	<u>140,525</u>	<u>612,033</u>	<u>23,501</u>	<u>54,546</u>	<u>690,080</u>
Total Functional Expenses	<u>\$426,722</u>	<u>\$ 754,924</u>	<u>\$232,722</u>	<u>\$ 1,414,368</u>	<u>\$34,888</u>	<u>\$ 80,923</u>	<u>\$ 1,530,179</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013

Cash Flows From Operating Activities:	
Change in net assets	\$ 15,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,497
Changes in operating assets and liabilities that provided (used) cash:	
Pledges receivable	45,952
Accounts payable	13,158
Accrued wages	1,816
Accrued retirement plan contributions	(67)
Net Cash Provided by Operating Activities	<u>85,829</u>
 Cash Flows From Investing Activities:	
Purchase of certificates of deposit	(998)
Acquisition of property and equipment	(1,648)
Net Cash Used in Investing Activities	<u>(2,646)</u>
 Net Increase In Cash and Cash Equivalents	 83,183
Cash and Cash Equivalents, Beginning of Year	<u>438,876</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 522,059</u></u>

The accompanying notes are an integral part of these financial statements.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 1 - NATURE OF OPERATIONS

American Autoimmune Related Diseases Association (the "Organization") 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 contributions from corporate entities, as well as from the general public. In addition, the Organization holds various fundraisers throughout the year to promote its cause.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization maintains its books on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

Concentration of Credit Risk

The Organization primarily deposits cash with major banks within the State of Michigan and at times throughout the year may maintain balances that exceed federally insured limits of \$250,000 per depositor, per insured bank. The total uninsured balance at September 30, 2013 is \$59,314, inclusive of amounts included in investments in the accompanying Statement of Financial Position. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash and cash equivalents.

Unconditional and Conditional Promises to Give and Revenue

The Organization records revenue when a pledge (contribution) representing an unconditional promise to give is received: absent of such promise, revenue is recognized when the intent to give is collected. Conditional promises to give and indications of intentions to give are reported at fair value at the date the related conditions are substantially met. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional and Conditional Promises to Give and Revenue (Continued)

are met within the same period as the contributions are received are reported as unrestricted contributions in the accompanying Statement of Activities. There were no pledges (contributions) receivable at September 30, 2013.

Agency Transactions

From time to time, the Organization may receive donor pledges and contributions that are designated for the benefit of other nonprofit agencies. Such designations are deducted from gross contributions received in the accompanying Statement of Activities, to arrive at net contributions since the Organization does not have variance power over such designated contributions. Any amounts collected under these arrangements but not yet distributed in accordance with donor stipulations are recorded as "Undistributed Donor Designations" in the accompanying Statement of Financial Position. As of September 30, 2013, there were no undistributed donor designations.

Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission, but these services do not meet the criteria for recognition as contributed services.

Investments

The Organization's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (see Note 3). Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade date basis. Investment securities received by gift are recorded at fair value on the date of donation.

Property and Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is stated at fair value at the date of the gift. Depreciation is computed using straight-line methods over the estimated useful lives of the assets. Maintenance and repairs that do not enhance the value or prolong the useful life of assets are expensed when incurred. It is the Organization's policy to capitalize property and equipment purchases greater than \$500. Management annually reviews these assets for impairment.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation (Continued)

Estimated useful lives of property and equipment used in computing depreciation are as follows:

<u>Description</u>	<u>Useful Lives</u>
Building	39 years
Furniture and Fixtures	5 years

Classification of Net Assets

The Organization's net assets are classified as temporarily restricted, permanently restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net asset may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted Net Assets – Net assets subject to donor imposed restrictions, or restrictions that expire with the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions, which require that the gift principal be maintained permanently by the Organization. As of September 30, 2013, the Organization had no permanently restricted net assets.

Allocation of Expenses

Indirect costs have been allocated between the various programs and supporting services based on estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would present different results.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). As a result, no provision for income taxes has been recorded in the accompanying financial statements.

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 in order to remain

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

tax-exempt. In addition, any Organization activities that may subject it to “unrelated business taxable income” are also tax positions. Management has analyzed the Organization’s material tax positions as of October 1, 2012 and September 30, 2013 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements

With few exceptions, the Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for tax years prior to 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the value of in-kind donations.

Note 3 - INVESTMENTS, INCLUDING FAIR VALUE MEASUREMENT

Investments consist of a certificate of deposit with an original maturity greater than ninety days when purchased and are recorded at fair value at September 30, 2013 as follows:

<u>Description</u>	<u>Amount</u>
Bank of America; interest at .65% annually; original issue date May 19, 2012; matures November 4, 2013.	\$ 96,000

The Organization utilizes a three level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described as follows:

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 3 - INVESTMENTS, INCLUDING FAIR VALUE MEASUREMENT (CONTINUED)

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.

Level 2 - 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;
- 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.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following method and assumption was used by the Organization in estimating the fair value of its investments at September 30, 2013:

- Certificates of deposit investments: The fair values are based on the underlying cash originally invested in the certificate, which approximates fair value.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at September 30, 2013.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 3 - INVESTMENTS, INCLUDING FAIR VALUE MEASUREMENT (CONTINUED)

Investments measured at fair value on a recurring basis at September 30, 2013 are as summarized as follows:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of Deposit	\$ 96,000	\$ -	\$ 96,000	\$ -
Total Investments at Fair Value	<u>\$ 96,000</u>	<u>\$ -</u>	<u>\$ 96,000</u>	<u>\$ -</u>

Note 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at September 30, 2013:

<u>Description</u>	<u>Amount</u>
Land	\$ 25,000
Building	233,339
Furniture and fixtures	31,872
Total	<u>290,211</u>
Less: Accumulated depreciation	<u>109,838</u>
Property and Equipment, Net	<u>\$ 180,373</u>

Note 5 - RETIREMENT PLAN

The Organization maintains a 403(B) defined contribution plan, which covers substantially all employees. The Organization matches 100% of the first 20% of the participant's deferral contribution.

The Organization's matching contributions to the Plan for the plan year ended September 30, 2013 were \$12,622.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

Note 6 - CONCENTRATIONS

Approximately \$150,000 of net contributions in the Statement of Activities was provided through various grants from one donor.

In-kind services of approximately \$258,000 were provided by one donor.

Note 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by the following purpose restriction:

Advocacy Toolkit – Education	\$36,825
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Note 8 - 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, 2013, the most recent statement of financial position presented therein, through January 22, 2014, the date the financial statements were issued. No such significant events or transactions were identified.

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