

**AMERICAN AUTOIMMUNE RELATED  
DISEASES ASSOCIATION**

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2014**



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, 2014 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, 2014, 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  
March 17, 2015

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2014**

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**ASSETS**

|                             |                                 |
|-----------------------------|---------------------------------|
| Cash and cash equivalents   | \$ 592,541                      |
| Investments                 | 96,666                          |
| Property and equipment, net | <u>172,261</u>                  |
| <b>Total Assets</b>         | <b><u><u>\$ 861,468</u></u></b> |

**LIABILITIES AND NET ASSETS**

|   |                                 |
|---|---------------------------------|
| <b>Liabilities:</b>                     |                                 |
| Accounts payable                        | \$ 10,270                       |
| Grants payable                          | 30,000                          |
| Accrued wages and benefits              | <u>24,796</u>                   |
| <b>Total Liabilities</b>                | <b><u><u>65,066</u></u></b>     |
| <b>Net Assets:</b>                      |                                 |
| Unrestricted                            | 742,402                         |
| Temporarily restricted                  | <u>54,000</u>                   |
| <b>Total Net Assets</b>                 | <b><u><u>796,402</u></u></b>    |
| <b>Total Liabilities and Net Assets</b> | <b><u><u>\$ 861,468</u></u></b> |

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

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2014**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-------------------|
| <b>Support and Revenue:</b>   |                     |                                   |                   |
| Contributions   | \$ 604,705          | \$ 54,000                         | \$ 658,705        |
| Less: Donor designations  | (75,000)            | -                                 | (75,000)          |
| Net Contributions   | <u>529,705</u>      | <u>54,000</u>                     | <u>583,705</u>    |
| In-kind goods and services  | 1,455,725           | -                                 | 1,455,725         |
| Fundraising income  | 140,920             | -                                 | 140,920           |
| Interest income   | 790                 | -                                 | 790               |
| <b>Total Support and Revenue Before<br/>Net Assets Released From Restrictions</b> | <u>2,127,140</u>    | <u>54,000</u>                     | <u>2,181,140</u>  |
| Net Assets Released From restrictions   | <u>36,825</u>       | <u>(36,825)</u>                   | <u>-</u>          |
| <b>Total Support and Revenue</b>  | <u>2,163,965</u>    | <u>17,175</u>                     | <u>2,181,140</u>  |
| <b>Expenses:</b>  |                     |                                   |                   |
| Program services:   |                     |                                   |                   |
| Education   | 729,017             | -                                 | 729,017           |
| Public awareness  | 948,637             | -                                 | 948,637           |
| Research  | 316,713             | -                                 | 316,713           |
| Total program services  | <u>1,994,367</u>    | <u>-</u>                          | <u>1,994,367</u>  |
| Supporting services:  |                     |                                   |                   |
| Management and general  | 68,663              | -                                 | 68,663            |
| Fund raising  | 80,291              | -                                 | 80,291            |
| Total supporting services   | <u>148,954</u>      | <u>-</u>                          | <u>148,954</u>    |
| <b>Total Expenses</b>   | <u>2,143,321</u>    | <u>-</u>                          | <u>2,143,321</u>  |
| <b>Change In Net Assets</b>   | 20,644              | 17,175                            | 37,819            |
| Net Assets, Beginning of Year   | <u>721,758</u>      | <u>36,825</u>                     | <u>758,583</u>    |
| <b>Net Assets, End of Year</b>  | <u>\$ 742,402</u>   | <u>\$ 54,000</u>                  | <u>\$ 796,402</u> |

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

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2014**

|                                   | <u>Program Services</u> |                             |                   | <b>Total<br/>Program<br/>Services</b> | <u>Supporting Services</u>              |                         | <b>Total</b>        |
|-----------------------------------|-------------------------|-----------------------------|-------------------|---------------------------------------|---|-------------------------|---------------------|
|                                   | <u>Education</u>        | <u>Public<br/>Awareness</u> | <u>Research</u>   |                                       | <u>Manage-<br/>ment and<br/>General</u> | <u>Fund<br/>Raising</u> |                     |
| <b>In-Kind Goods and Services</b> | \$ 417,812              | \$ 749,829                  | \$ 204,054        | \$ 1,371,695                          | \$ 38,737                               | \$ 45,293               | \$ 1,455,725        |
| <b>Other Expenses:</b>            |                         |                             |                   |                                       |   |                         |                     |
| Wages                             | 170,354                 | 102,028                     | 8,549             | 280,931                               | 5,310                                   | 14,912                  | 301,153             |
| Temporary help                    | 1,094                   | 9                           | -                 | 1,103                                 | 1                                       | 1                       | 1,105               |
| Professional fees                 | 2,963                   | 8,501                       | -                 | 11,464                                | 11,515                                  | 2,659                   | 25,638              |
| Postage and shipping              | 5,410                   | 3,765                       | 13                | 9,188                                 | 100                                     | 1,792                   | 11,080              |
| Public relations                  | 19,033                  | 25,487                      | -                 | 44,520                                | -                                       | 33                      | 44,553              |
| Printing and stationery           | 8,795                   | 8,253                       | -                 | 17,048                                | 51                                      | 2,130                   | 19,229              |
| Office supplies                   | 1,360                   | 1,360                       | -                 | 2,720                                 | 110                                     | 105                     | 2,935               |
| Operating supplies                | 821                     | 573                         | -                 | 1,394                                 | 31                                      | 394                     | 1,819               |
| Dues and subscriptions            | 2,451                   | 2,685                       | 500               | 5,636                                 | 75                                      | -                       | 5,711               |
| Filing fees                       | 556                     | 556                         | -                 | 1,112                                 | 465                                     | 556                     | 2,133               |
| Equipment maintenance             | 1,928                   | 1,858                       | -                 | 3,786                                 | 17                                      | 171                     | 3,974               |
| Telephone                         | 2,730                   | 2,730                       | -                 | 5,460                                 | 228                                     | 166                     | 5,854               |
| Insurance                         | 1,137                   | 1,137                       | -                 | 2,274                                 | 1,009                                   | 1,137                   | 4,420               |
| State and national meetings       | 24,150                  | 12,197                      | 20,566            | 56,913                                | 1,087                                   | 1,066                   | 59,066              |
| Travel                            | 14,815                  | 5,070                       | 16,274            | 36,159                                | 914                                     | 482                     | 37,555              |
| Depreciation                      | 3,520                   | 2,167                       | 1,719             | 7,406                                 | 325                                     | 381                     | 8,112               |
| Payroll taxes                     | 10,606                  | 6,559                       | 5,201             | 22,366                                | 987                                     | 1,154                   | 24,507              |
| Insurance - health                | 7,658                   | 6,443                       | 268               | 14,369                                | 771                                     | 576                     | 15,716              |
| Fundraising -                     |                         |                             |                   |                                       |   |                         |                     |
| Derby                             | -                       | -                           | -                 | -                                     | -                                       | 6,739                   | 6,739               |
| Board expenses                    | -                       | -                           | -                 | -                                     | 6,154                                   | -                       | 6,154               |
| Professional training             | 58                      | 38                          | -                 | 96                                    | 4                                       | -                       | 100                 |
| Grants                            | 23,000                  | -                           | 59,569            | 82,569                                | -                                       | -                       | 82,569              |
| Repairs and maintenance           | 1,246                   | 793                         | -                 | 2,039                                 | 113                                     | 113                     | 2,265               |
| Utilities                         | 2,037                   | 2,037                       | -                 | 4,074                                 | 173                                     | 87                      | 4,334               |
| Miscellaneous                     | 23                      | 23                          | -                 | 46                                    | -                                       | 9                       | 55                  |
| Retirement plan contributions     | 5,460                   | 4,539                       | -                 | 9,999                                 | 486                                     | 335                     | 10,820              |
| <b>Total Other Expenses</b>       | <u>311,205</u>          | <u>198,808</u>              | <u>112,659</u>    | <u>622,672</u>                        | <u>29,926</u>                           | <u>34,998</u>           | <u>687,596</u>      |
| <b>Total Functional Expenses</b>  | <u>\$ 729,017</u>       | <u>\$ 948,637</u>           | <u>\$ 316,713</u> | <u>\$ 1,994,367</u>                   | <u>\$ 68,663</u>                        | <u>\$ 80,291</u>        | <u>\$ 2,143,321</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, 2014**

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|  |                              |
|--|------------------------------|
| <b>Cash Flows From Operating Activities:</b>   |                              |
| Change in net assets   | \$ 37,819                    |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                              |
| Depreciation   | 8,112                        |
| Changes in operating assets and liabilities<br>that (used) provided cash:                      |                              |
| Accounts payable   | (5,209)                      |
| Grants payable   | 30,000                       |
| Accrued wages and benefits   | 426                          |
| <b>Net Cash Provided by Operating Activities</b>   | <u>71,148</u>                |
| <br><b>Cash Flows From Investing Activities -</b>  |                              |
| Purchase of investments  | <u>(666)</u>                 |
| <b>Net Cash Used in Investing Activities</b>   | <u>(666)</u>                 |
| <br><b>Net Increase In Cash and Cash Equivalents</b>   |                              |
| Cash and Cash Equivalents, Beginning of Year   | <u>522,059</u>               |
| <br><b>Cash and Cash Equivalents, End of Year</b>  | <br><u><u>\$ 592,541</u></u> |

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



**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 sources of support and revenue include contributions from corporate entities, the general public, and various fundraising events.

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. There was no uninsured cash at September 30, 2014. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 fair value of in-kind donations.

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.

Investments, Including Fair Value Measurement

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. 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, 2014**

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**Note 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

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, 2014:

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

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments, Including Fair Value Measurement (Continued)

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, 2014.

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 reviews these assets for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

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.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Classification of Net Assets (Continued)

- 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, 2014, the Organization had no permanently restricted net assets.

Revenue Recognition

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 asset, or the economic value embedded in the asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and are reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same period as the contributions are received are reported as unrestricted contributions in the accompanying Statement of Activities.

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.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In-Kind Donations

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.

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 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, 2013 and September 30, 2014 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 2010.

**Note 2 - INVESTMENTS, INCLUDING FAIR VALUE MEASUREMENT**

The Organization's certificates of deposit are classified as Level 2 measurement under the fair value hierarchy described in Note 1. The certificates mature in May 2015.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following assets at September 30, 2014:

| Description                        | Amount            |
|------------------------------------|-------------------|
| Land                               | \$ 25,000         |
| Building                           | 233,339           |
| Furniture and fixtures             | 31,872            |
| Total                              | 290,211           |
| Less: Accumulated depreciation     | 117,950           |
| <b>Property and Equipment, Net</b> | <b>\$ 172,261</b> |

**Note 4 - 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.

**Note 5 - CONCENTRATIONS**

Approximately \$120,000 of net contributions in the Statement of Activities was provided through various grants from one donor.

In-kind services of approximately \$188,000 were provided by one donor.

**Note 6 - TEMPORARILY RESTRICTED NET ASSETS**

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

| Description                                    | Amount           |
|--|------------------|
| Advocacy                                       | \$ 50,000        |
| Education                                      | 4,000            |
| <b>Total Temporarily Restricted Net Assets</b> | <b>\$ 54,000</b> |

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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**Note 7 - 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, 2014, the most recent Statement of Financial Position presented therein, through February 23, 2015, the date the financial statements were available to be issued. No such significant events or transactions were identified.

\* \* \* \* \*