
**AMERICAN AUTOIMMUNE
RELATED DISEASES ASSOCIATION**

(A MICHIGAN NON-PROFIT CORPORATION)

**Financial Reports
For The Year Ended
September 30, 2019**



certified public accountants

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AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Eastpointe, Michigan

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Autoimmune Related Diseases Association
Eastpointe, Michigan

We have audited the accompanying financial statements of American Autoimmune Related Diseases Association (a nonprofit organization) which comprise the statement of financial position as of September 30, 2019, 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 of 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 entity'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 entity'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, based on our audit, 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, 2019, 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.

Gordon Advisors, P.C.

January 31, 2020

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Financial Position

September 30, 2019

ASSETS

Cash and cash equivalents	\$	914,375
Investment - Certificate of Deposit		200,000
Pledges receivable, net		23,480
Property and equipment, net		<u>139,912</u>
Total Assets	\$	<u><u>1,277,767</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	20,092
Accrued wages and benefits		<u>22,372</u>

Total Liabilities		<u>42,464</u>
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Net Assets

Without donor restrictions		914,671
With donor restrictions		<u>320,632</u>

Total Net Assets		<u>1,235,303</u>
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Total Liabilities and Net Assets	\$	<u><u>1,277,767</u></u>
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AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Activities

For the Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Revenue and Other Support			
Contributions	\$ 909,135	\$ 333,500	\$ 1,242,635
In-kind goods and services	558,987	0	558,987
Fundraising income - net of expenses of \$15,213	123,165	0	123,165
Loss on disposal of asset	(150)	0	(150)
Interest income	8,247	0	8,247
	<u>1,599,384</u>	<u>333,500</u>	<u>1,932,884</u>
Net assets released from restrictions	<u>257,494</u>	<u>(257,494)</u>	<u>0</u>
Total Revenue and Other Support	<u>1,856,878</u>	<u>76,006</u>	<u>1,932,884</u>
Expenses			
Program services			
Education	712,314	0	712,314
Public awareness	688,273	0	688,273
Research	300,212	0	300,212
Total program services	<u>1,700,799</u>	<u>0</u>	<u>1,700,799</u>
Supporting services:			
Management and general	112,021	0	112,021
Fundraising	102,639	0	102,639
Total supporting services	<u>214,660</u>	<u>0</u>	<u>214,660</u>
Total Expenses	<u>1,915,459</u>	<u>0</u>	<u>1,915,459</u>
Change In Net Assets	(58,581)	76,006	17,425
Net Assets, Beginning of Year	<u>973,252</u>	<u>244,626</u>	<u>1,217,878</u>
Net Assets, End of Year	<u>\$ 914,671</u>	<u>\$ 320,632</u>	<u>\$ 1,235,303</u>

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Functional Expenses For The Year Ended September 30, 2019

	Program Services			Total Program Services
	Education	Public Awareness	Research	
Wages	\$ 246,942	\$ 175,478	\$ 0	\$ 422,420
Professional fees	308,790	263,032	65,075	636,897
Postage and shipping	6,475	4,373	0	10,848
Public relations	0	22,750	0	22,750
Printing and stationery	10,526	7,408	466	18,400
Office supplies	1,724	1,711	0	3,435
Operating supplies	4,140	2,334	0	6,474
Dues and subscriptions	5,263	11,239	15,660	32,162
Filing fees	1,750	1,750	0	3,500
Equipment maintenance	4,721	2,862	0	7,583
Telephone	4,380	4,380	0	8,760
Insurance	1,651	1,651	0	3,302
State and national meetings	26,351	11,581	8,224	46,156
Travel	15,484	6,355	16,635	38,474
Depreciation	1,403	1,403	1,403	4,209
Payroll taxes	15,096	11,502	6,110	32,708
Insurance - Health	14,506	8,832	0	23,338
Fundraising -				
Bound by a Common Thread	0	0	0	0
Other	0	0	0	0
Board expenses	0	0	0	0
Professional training	35	22	0	57
Grants	7,000	11,400	167,747	186,147
Repairs and maintenance	2,934	1,867	0	4,801
Utilities	2,426	2,426	0	4,852
Miscellaneous	1,365	8	0	1,373
Retirement plan contributions	4,076	3,159	0	7,235
Website	3,565	2,336	0	5,901
Advertising and development	21,711	128,414	18,892	169,017
Total Expenses By Function	712,314	688,273	300,212	1,700,799
Less expenses included with revenues on the statement of activities	0	0	0	0
Total expenses included in the expense section on the statement of activities	\$ 712,314	\$ 688,273	\$ 300,212	\$ 1,700,799

Supporting Services		
Management and General	Fundraising	Total
\$ 19,932	\$ 53,458	\$ 495,810
76,342	4,011	717,250
192	1,740	12,780
0	0	22,750
161	17,293	35,854
146	73	3,654
23	6,574	13,071
749	748	33,659
1,174	1,750	6,424
48	2,576	10,207
367	254	9,381
1,401	1,651	6,354
155	1,135	47,446
307	1,489	40,270
1,403	1,403	7,015
1,078	2,157	35,943
1,253	4,159	28,750
0	15,213	15,213
0	0	0
6,362	0	6,362
0	0	57
0	0	186,147
267	267	5,335
206	103	5,161
1	295	1,669
331	464	8,030
123	123	6,147
0	916	169,933
112,021	117,852	1,930,672
0	(15,213)	(15,213)
<u>\$ 112,021</u>	<u>\$ 102,639</u>	<u>\$ 1,915,459</u>

See Independent Auditor's Report and Accompanying Footnotes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Cash Flows For The Year Ended September 30, 2019

Operating Activities

Change in net assets	\$	17,425
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		7,015
Loss on disposal of asset		150
(Increase) Decrease in operating assets		
Contributions receivable		(23,480)
Increase (Decrease) in operating liabilities:		
Accounts payable		(263,601)
Accrued wages and benefits		1,287
Net Cash Provided By (Used In) Operating Activities		<u>(261,204)</u>

Investing Activities

Purchase of equipment		<u>(1,708)</u>
Net Cash Used In Investing Activities		<u>(1,708)</u>

Financing Activities

Redemption of long-term certificate of deposit		<u>56,796</u>
Net Cash Provided By Financing Activities		<u>56,796</u>
Net Increase in Cash and Cash Equivalents		(206,116)

Cash and Cash Equivalents:

Beginning of Year		<u>1,120,491</u>
End of Year	\$	<u><u>914,375</u></u>

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements
For the Year Ended September 30, 2019

NOTE**1. Nature of Organization and Summary of Significant Accounting Policies**

Nature of Organization – American Autoimmune Related Diseases Association “the Organization” is a nonprofit corporation organized under the laws of the State of Michigan and has been classified under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. 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.

Basis of Accounting – The accrual basis of accounting has been adopted for purposes of financial reporting.

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 Organization had 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.

Estimates in the Financial Statements – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the fair value of in-kind donations.

Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investment – Certificate of Deposit – Certificates of Deposits held for investment by the Organization that are not debt securities with original maturities greater than three months are classified as investments.

Property and Equipment – Purchased property and equipment are 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 Live</u>
Building	39 years
Furniture and Fixtures	5 years

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2019

NOTE

1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Classification of Net Assets – The Organization’s net assets are classified as without donor restrictions or with donor restrictions on the presence and characteristics of donor-imposed restrictions limiting the Organization’s ability to use and dispose of contributed assets or the economic benefits embodied in those assets.

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions, which may require that the gift principal be maintained permanently by the Organization, or restrictions that expire with the passage of time.

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 promise 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 with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restricted 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.

In-Kind Donated 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 value 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.

Functional 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.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2019

NOTE**1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

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 September 30, 2019 and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements.

Subsequent Events – The Organization has evaluated events and transactions that occurred through January 31, 2020, which is the date the financial statements were available for issue.

2. Pledges Receivable

Pledges receivable consist of unconditional promises to give as follows:

Receivable	\$ 23,480
Less: Allowance for uncollectible promises	<u>0</u>
Net receivable	<u>\$ 23,480</u>
Amount due in:	
Less than one year	<u>\$ 23,480</u>

3. Property and Equipment

Property and equipment consists of the following assets at September 30, 2019:

Land	\$ 25,000
Building	233,339
Furniture and fixtures	<u>36,785</u>
Total	295,123
Less: Accumulated depreciation	<u>155,211</u>
Property and Equipment, Net	<u>\$ 139,912</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts having the following purpose restrictions as of September 30, 2019:

Educational Programs	\$ 60,000
Translation of Brochures	10,000
Patient Advocacy	15,000
Step Therapy Program	<u>235,632</u>
	<u>\$ 320,632</u>

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2019

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 deferral contribution.

6. Concentration

Approximately \$248,500 of net contributions in the Statement of Activities was provided through grants and contributions from one donor.

In-Kind services of approximately \$161,534 was provided by one donor.

7. Liquidity Management

The Organization has \$914,375 of cash and cash equivalents, \$23,480 of receivables, and a \$200,000 certificate of deposit available within one year of the balance sheet date to meet cash needs for general expenditures. Of this amount, \$320,632 is subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain enough cash to meet all anticipated normal operating expenses throughout the year. The Organization invests excess liquid assets in savings accounts or certificates of deposit.

8. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and available resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The new standard is effective for the Organization's year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective October 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.