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**AMERICAN AUTOIMMUNE  
RELATED DISEASES ASSOCIATION**

**(A MICHIGAN NON-PROFIT CORPORATION)**

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**Financial Reports  
For The Year Ended  
September 30, 2020**



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  
Clinton Township, 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, 2020, 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, 2020, 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 25, 2021

# AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

## Statement of Financial Position

September 30, 2020

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### ASSETS

Cash and cash equivalents	\$ 1,056,554
Investment - Certificate of Deposit	270,111
Pledges receivable, net	110,099
Property and equipment, net	<u>17,656</u>
<b>Total Assets</b>	<b><u><u>\$ 1,454,420</u></u></b>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ 30,708
Accrued wages and benefits	23,446
Payroll protection loan program	<u>123,400</u>

<b>Total Liabilities</b>	<b><u>177,554</u></b>
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#### Net Assets

Without donor restrictions	912,080
With donor restrictions	<u>364,786</u>

<b>Total Net Assets</b>	<b><u>1,276,866</u></b>
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<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,454,420</u></u></b>
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# AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

## Statement of Activities

For the Year Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 1,849,397	\$ 458,000	\$ 2,307,397
In-kind goods and services	962,556	0	962,556
Fundraising income - net of expenses of \$4,672	17,993	0	17,993
Loss on disposal of asset	14,387	0	14,387
Other income	1,187	0	1,187
Interest income	13,237	0	13,237
	<u>2,858,757</u>	<u>458,000</u>	<u>3,316,757</u>
Net assets released from restrictions	<u>413,846</u>	<u>(413,846)</u>	<u>0</u>
<b>Total Revenue and Other Support</b>	<u>3,272,603</u>	<u>44,154</u>	<u>3,316,757</u>
<b>Expenses</b>			
Program services			
Education	1,513,003	0	1,513,003
Public awareness	1,288,423	0	1,288,423
Research	274,457	0	274,457
Total program services	<u>3,075,883</u>	<u>0</u>	<u>3,075,883</u>
Supporting services:			
Management and general	96,415	0	96,415
Fundraising	102,896	0	102,896
Total supporting services	<u>199,311</u>	<u>0</u>	<u>199,311</u>
<b>Total Expenses</b>	<u>3,275,194</u>	<u>0</u>	<u>3,275,194</u>
<b>Change In Net Assets</b>	(2,591)	44,154	41,563
<b>Net Assets, Beginning of Year</b>	<u>914,671</u>	<u>320,632</u>	<u>1,235,303</u>
<b>Net Assets, End of Year</b>	<u>\$ 912,080</u>	<u>\$ 364,786</u>	<u>\$ 1,276,866</u>

See Independent Auditors' Report and Accompanying Footnotes.

# AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

## Statement of Functional Expenses For The Year Ended September 30, 2020

	Program Services			Total Program Services
	Education	Public Awareness	Research	
Wages	\$ 313,966	\$ 207,267	\$ 39,135	\$ 560,368
Professional fees	819,192	697,973	55,854	1,573,019
Postage and shipping	7,223	4,585	71	11,879
Public relations	10,000	15,000	0	25,000
Printing and stationery	11,624	6,592	46	18,262
Office supplies	1,408	1,401	0	2,809
Operating supplies	2,678	2,530	68	5,276
Dues and subscriptions	14,953	18,638	8,508	42,099
Filing fees	1,067	1,072	0	2,139
Rent	861	861	862	2,584
Equipment maintenance	1,916	1,548	268	3,732
Telephone	2,973	2,973	0	5,946
Insurance	1,544	1,544	0	3,088
State and national meetings	16,875	2,216	10,942	30,033
Travel	9,941	3,580	17,507	31,028
Depreciation	1,769	1,769	1,769	5,307
Payroll taxes	22,221	15,602	3,309	41,132
Insurance - Health	16,261	10,675	2,535	29,471
Fundraising -				
Bound by a Common Thread	0	0	0	0
Other	0	0	0	0
Board expenses	0	0	0	0
Professional training	23	23	0	46
Grants	1,500	1,500	130,000	133,000
Repairs and maintenance	7,164	4,559	0	11,723
Utilities	1,785	1,785	0	3,570
Miscellaneous	16	398	0	414
Retirement plan contributions	773	1,781	3,568	6,122
Website	7,067	4,488	0	11,555
Advertising and development	238,203	278,063	15	516,281
<b>Total Expenses By Function</b>	<b>1,513,003</b>	<b>1,288,423</b>	<b>274,457</b>	<b>3,075,883</b>
Less expenses included with revenues on the statement of activities	0	0	0	0
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,513,003</b>	<b>\$ 1,288,423</b>	<b>\$ 274,457</b>	<b>\$ 3,075,883</b>

<b>Supporting Services</b>		
<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 22,084	\$ 60,623	\$ 643,075
43,569	12,378	1,628,966
531	1,658	14,068
0	0	25,000
54	2,904	21,220
469	60	3,338
204	1,329	6,809
4,627	4,370	51,096
1,097	1,067	4,303
861	861	4,306
111	843	4,686
249	175	6,370
1,478	1,544	6,110
325	1,180	31,538
592	1,149	32,769
1,769	1,769	8,845
1,891	4,255	47,278
1,269	4,710	35,450
0	4,672	4,672
0	0	0
13,565	0	13,565
99	82	227
0	0	133,000
651	651	13,025
152	76	3,798
9	9	432
90	706	6,918
236	236	12,027
433	261	516,975
96,415	107,568	3,279,866
0	(4,672)	(4,672)
<u>\$ 96,415</u>	<u>\$ 102,896</u>	<u>\$ 3,275,194</u>

See Independent Auditor's Report and Accompanying Footnotes.

# AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

## Statement of Cash Flows For The Year Ended September 30, 2020

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### Operating Activities

Change in net assets	\$	41,563
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		8,844
Gain on disposal of asset		(14,387)
(Increase) Decrease in operating assets		
Contributions receivable		(86,619)
Increase (Decrease) in operating liabilities:		
Accounts payable		10,615
Accrued wages and benefits		1,076
<b>Net Cash Provided By (Used In) Operating Activities</b>		<u>(38,908)</u>

### Investing Activities

Proceeds from sale of building		146,119
Purchase of equipment		(18,321)
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>127,798</u>

### Financing Activities

Proceeds from payroll protection loan program		123,400
Purchase of long-term certificate of deposit		(70,111)
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>53,289</u>

<b>Net Increase in Cash and Cash Equivalents</b>		142,179
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### Cash and Cash Equivalents:

<b>Beginning of Year</b>		<u>914,375</u>
<b>End of Year</b>	\$	<u><u>1,056,554</u></u>



**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2020**

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**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.

Contribution 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 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. During the year ended September 30, 2020 the Organization did not receive any contributions from donors that included conditions that precluded immediate recognition.

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.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended September 30, 2020**

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

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

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.

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.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended September 30, 2020**

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

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 September 30, 2020 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 25, 2021, 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	\$ 110,099
Less: Allowance for uncollectible promises	<u>0</u>
Net receivable	<u>\$ 110,099</u>
Amount due in:	
Less than one year	<u>\$ 110,099</u>

**3. Property and Equipment**

Property and equipment consists of the following assets at September 30, 2020:

Furniture and fixtures	\$ 55,105
Less: Accumulated depreciation	<u>37,449</u>
Property and Equipment, Net	<u>\$ 17,656</u>

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended September 30, 2020**

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**NOTE****4. Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of amounts having the following purpose restrictions as of September 30, 2020:

Education Outreach	\$ 467
Public Awareness	20,214
Educational Programs	23,166
Proof of Concept Study	9,807
Public Policy	23,792
APL Scientific Colloquium	20,000
Lyme Disease	25,325
Patient Advocacy	25,000
Step Therapy Program	<u>217,015</u>
	<u>\$ 364,786</u>

**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 \$750,000 of net contributions in the Statement of Activities was provided through grants and contributions from one donor.

In-Kind services of approximately \$874,781 was provided by three donors.

**7. Liquidity Management**

The Organization has \$1,056,554 of cash and cash equivalents, \$110,099 of receivables, and a \$270,111 certificate of deposit available within one year of the balance sheet date to meet cash needs for general expenditures. Of this amount, \$364,786 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. Payroll Protection Program Loan**

In May 2020, the Organization obtained funding of \$123,400 through Comerica Bank from the U.S. Business Administration. The Organization pursued this arrangement to maintain liquidity in response to the coronavirus pandemic (see Note 11). The loan is under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying organizations that can be forgiven if the Organization uses the proceeds to fund payroll, and certain other specified operating expenses during a specified period. Under provisions of the program, the amount of loan forgiveness will be reduced if the Organization lowers either employee headcount or compensation levels when compared to amounts incurred at specific times prior to the pandemic.

The Organization anticipates qualifying for at least partial debt forgiveness and that is expected to occur currently. The unforgiven portion of the loan is payable over 2 years at an interest rate of 1%.

**AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended September 30, 2020**

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**NOTE****9. Pandemic Uncertainty**

In March 2020, a National Emergency was declared in response to the outbreak of a novel strain of coronavirus in the United States. To further contain the spread of the virus, the State of Michigan has issued various executive orders and regulations that limit the social and business activities of individuals except for activities that sustain or protect life (as defined by the order). These orders have required organizations to either close or modify their operations to comply.

The Organization has been unable to host walk events and other fundraising events as a result of this situation, however the Organization has continued to receive contributions throughout this period to fund its program activities. Management is carefully monitoring the situation. While disruption is expected to be temporary, there is considerable uncertainty as to the duration and spread of the outbreak and its impact on the economy as a whole. Therefore, management cannot reasonably estimate how this matter will affect the Organization's future results of operations and financial position.

**10. Leases**

The Organization signed a lease agreement in 2020 for office space. The lease terms are for 62 complete calendar months expiring October 1, 2025 with monthly payments of \$4,307 to \$4,773 with the option to extend twice for up to an additional 72 months. The minimum lease payments are as follows:

2021	\$ 51,805
2022	53,202
2023	54,599
2024	55,996
2025	<u>52,504</u>
Total	<u>\$ 268,106</u>

**11. Change in Accounting Principle**

The Financial Accounting Standards Board issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The Organization evaluates if a transaction is an exchange transaction by determining if each party to the transaction directly receive commensurate value. If both parties to the transaction directly receive commensurate value, the transaction is an exchange transaction. ASU 2018-08 explicitly states that societal benefit – even if it furthers the resource provider's charitable mission – is not commensurate reciprocal value. The ASU also provides guidance on how to determine whether a contribution is conditional and how to better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization adopted the standard for contributions received using on a retrospective basis by applying the standard beginning September 1, 2019. There was no impact to the timing or amount of revenue recognized as a result of this adoption in either of the years ending September 31, 2020.