AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

(A MICHIGAN NON-PROFIT CORPORATION)

Financial Reports

For The Year Ended

September 30, 2023

GORDON
Advisors, P.C.
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AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Clinton Township, Michigan

I N D E X

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
American Autoimmune Related Diseases Association
Clinton Township, Michigan

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of American Autoimmune Related Diseases Association and the related entities as of September 30, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Autoimmune Related Diseases Association and the related entities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt American Autoimmune Related Diseases Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 American Autoimmune Related Diseases Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Autoimmune Related Diseases Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Gordon Advisors, P.C.

March 21, 2024

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Financial Position

September 30, 2023

ASSETS

Cash and cash equivalents	$ 1,312,698
Investment - Certificates of Deposit	956,910
Right of use asset	459,627
Property and equipment, net	15,424
Total Assets	$ 2,744,659

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 38,930
Accrued wages and benefits	28,854
Lease liability	459,627
Total Liabilities	527,411
Net Assets	
Without donor restrictions	1,949,957
With donor restrictions	267,291
Total Net Assets	2,217,248
Total Liabilities and Net Assets	$ 2,744,659

See Independent Auditor's Report and Accompanying Footnotes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Activities

For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Revenue and Other Support			
Contributions	$ 867,187	$ 620,000	$ 1,487,187
APC membership dues	782,500	0	782,500
In-kind goods and services	319,204	0	319,204
Other income	9,606	0	9,606
ERC contribution	118,652	0	118,652
Interest income	9,224	0	9,224
	2,106,373	620,000	2,726,373
Net assets released from restrictions	698,646	(698,646)	0
Total Revenue and Other Support	2,805,019	(78,646)	2,726,373
Expenses			
Program services			
Education	1,130,649	0	1,130,649
Public awareness	788,642	0	788,642
Research	296,896	0	296,896
Total program services	2,216,188	0	2,216,188
Supporting services:			
Management and general	158,732	0	158,732
Fundraising	62,483	0	62,483
Total supporting services	221,215	0	221,215
Total Expenses	2,437,402	0	2,437,402
Change In Net Assets	367,617	(78,646)	288,971
Net Assets, Beginning of Year	1,582,340	345,937	1,928,277
Net Assets, End of Year	$ 1,949,957	$ 267,291	$ 2,217,248

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Functional Expenses

For The Year Ended September 30, 2023

	Program Services			Total
	Education	Public Awareness	Research	Total Program Services
Wages	$ 433,940	$ 394,902	$ 171,628	$ 1,000,470
Professional fees	67,350	57,504	11,792	136,646
Postage and shipping	3,437	2,252	192	5,881
Program expenses	95,488	95,488	0	190,976
Legal	14,928	6,635	6,635	28,198
Consulting services	64,789	18,346	10,581	93,716
Grant writing	0	0	0	0
Printing and stationery	2,039	1,520	0	3,559
Office supplies	1,115	519	191	1,825
Operating supplies	4,090	1,449	480	6,019
Dues and subscriptions	38,545	28,696	17,099	84,340
Filing fees	1,616	1,616	0	3,232
Planned giving	875	875	0	1,750
Rent	25,598	25,598	0	51,196
Equipment maintenance	6,837	4,373	0	11,210
Telephone	3,786	4,246	281	8,313
Insurance	1,775	1,775	0	3,550
State and national meetings	14,185	28,510	8,482	51,177
Travel	9,374	14,423	6,085	29,882
Depreciation	1,493	1,493	1,493	4,479
Payroll taxes	25,394	37,297	10,316	73,007
Insurance - Health	29,575	29,274	8,798	67,647
Board expenses	0	0	0	0
Honorariums	12,288	150	1,788	14,226
Professional training	2,047	1,526	300	3,874
Grants	500	0	35,000	35,500
Repairs and maintenance	96	61	0	157
Utilities	1,116	1,116	0	2,232
Miscellaneous	116	90	91	297
Retirement plan contributions	11,454	18,130	5,664	35,248
Website	249,269	3,893	0	253,162
Advertising and development	7,534	6,885	0	14,419
Total Expenses By Function	1,130,649	788,642	296,896	2,216,188
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	$ 1,130,649	$ 788,642	$ 296,896	$ 2,216,188

Supporting Services		
Management and General	Fundraising	Total
$ 37,740	$ 24,030	$ 1,062,240
40,466	3,631	180,743
247	769	6,897
0	0	190,976
26,446	0	54,644
288	15,833	109,837
0	0	0
78	415	4,052
834	211	2,870
523	98	6,640
4,603	1,517	90,460
1,948	1,616	6,796
875	875	3,500
2,220	1,133	54,549
553	553	12,316
314	195	8,822
1,775	1,775	7,100
1,350	1,321	53,848
1,122	1,040	32,044
1,493	1,493	7,465
3,174	3,174	79,355
3,111	1,443	72,201
16,177	0	16,177
0	0	14,226
7,594	50	11,517
0	0	35,500
9	9	175
95	48	2,375
3,383	90	3,770
1,471	966	37,685
198	198	253,558
645	0	15,064
158,732	62,483	2,437,402
0	0	0
$ 158,732	$ 62,483	$ 2,437,402

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Cash Flows

For The Year Ended September 30, 2023

Operating Activities	
Change in net assets	$ 288,971
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	7,466
Increase (Decrease) in operating liabilities:	
Accounts payable	(225,516)
Accrued wages and benefits	(5,170)
Deferred revenue	(30,000)
Net Cash Provided By Operating Activities	35,751
Investing Activities	
Purchase of equipment	(2,598)
Net Cash Used In Investing Activities	(2,598)
Financing Activities	
Purchase of long-term certificate of deposit	(682,962)
Net Cash Used in Financing Activities	(682,962)
Net Increase (Decrease) in Cash and Cash Equivalents	(649,809)
Cash and Cash Equivalents:	
Beginning of Year	1,962,507
End of Year	$ 1,312,698

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements
For the Year Ended September 30, 2023

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 if 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, 2023 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, 2023

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:

Description	Useful Live
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. During the year ended September 30, 2023, the Organization received donated legal services, content hosting, strategic communications and accommodations in the total amount of $319,204. 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, 2023

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, 2023 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 March 21, 2024, which is the date the financial statements were available for issue.

Leases – The Organization has entered into leases for its operating facilities. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the balance sheets as right-of-use (ROU) assets, current liabilities, and long-term liabilities. Building operating leases are included in operating expenses on the statement of operations.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases generally do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made in advance and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Organization has elected the available practical expedient that allows non-public companies to make an accounting policy election to use a risk-free rate as the discount rate for all leases where an implicit rate is unknown.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2023

NOTE

2. Property and Equipment

Property and equipment consists of the following assets at September 30, 2023:

Furniture and fixtures	$ 73,706
Less: Accumulated depreciation	58,282
Property and Equipment, Net	$ 15,424

3. Retirement Plan

The Organization maintains a 403(B) defined contribution plan, which covers substantially all employees. The Organization matches 100% of the first 5% of the participant's salary.

4. Concentration

Approximately $470,000 of net contributions in the Statement of Activities was provided through grants and contributions from two donors.

In-Kind services of approximately $276,574 was provided by two donors.

5. Donor Restricted Net Assets

Donor restricted net assets consisted of amounts having the following purpose restrictions as of September 30, 2023:

Closing the Equity Gap	$ 112,277
Biosims	25,000
Step Therapy Program	130,014
	$ 267,291

6. Liquidity Management

The Organization has $1,312,698 of cash and cash equivalents and $956,910 of certificates of deposit available within one year of the balance sheet date to meet cash needs for general expenditures. Of this amount, $267,291 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.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2023

NOTE

7. 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.

Total lease expense on these and other short-term leases amounted to approximately $54,300.

Future lease payments under operating leases are due as follows:

Year Ended December 31,	Amount
2024	$ 54,364
2025	55,767
2026	57,160
2027	58,563
2028	59,956
Thereafter	259,262
Total future lease payments	545,072
Less: Impact of discount	85,445
Lease liabilities	$ 459,627

During the year ended September 30, 2023 the Organization had the following cash and non-cash activities associated with leases:

> Cash paid for amounts included in the measurement of lease liabilities amounted to approximately $53,000.

At September 30, 2023, the weighted average of the remaining lease term was 9 years and the weighted average discount utilized was 3.7%.

8. Change in Accounting Principle - Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective October 1, 2022, and recognized and measured leases existing at, or entered into after, October 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. No cumulative effect adjustment was necessary.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Notes to the Financial Statements (Continued)

For the Year Ended September 30, 2023

NOTE

8. Change in Accounting Principle – Leases (Continued)

The Organization elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on October 1, 2022, the Organization recognized a lease liability of approximately $496,400, which represents the present value of the remaining operating lease payments, discounted using a risk-free discount rate of 3.7%. Correspondingly, the Organization also recognized a right-of-use asset of approximately $496,400.

The standard had a material impact on the Organization’s balance sheet but did not have an impact on the Organization’s statement of operations, nor the statement of cash flows.