
**AMERICAN AUTOIMMUNE
RELATED DISEASES ASSOCIATION**

(A MICHIGAN NON-PROFIT CORPORATION)

**Financial Reports
For The Year Ended
September 30, 2016**



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, 2016, 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, 2016, 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 28, 2017

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION**Statement of Financial Position****September 30, 2016**

ASSETS

Cash and cash equivalents	\$ 811,639
Cash and cash equivalents - Restricted for long-lived assets	73,383
Investments	96,738
Property and equipment, net	<u>158,777</u>
Total Assets	\$ <u>1,140,537</u>

LIABILITIES AND NET ASSETS**Liabilities**

Accounts payable	\$ 17,996
Accrued wages and benefits	27,942
Grants payable	<u>90,000</u>
Total Liabilities	<u>135,938</u>

Net Assets

Unrestricted	931,216
Unrestricted - Board designated	10,000
Temporarily restricted	<u>63,383</u>
Total Net Assets	<u>1,004,599</u>
Total Liabilities and Net Assets	\$ <u>1,140,537</u>

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Activities

For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Revenue and Other Support			
Contributions	\$ 996,126	\$ 46,300	\$ 1,042,426
Less: Donor designations	(65,000)	0	(65,000)
Net Contributions	931,126	46,300	977,426
In-kind goods and services	1,985,792	0	1,985,792
Fundraising income	182,385	0	182,385
Interest income	0	0	0
	<u>3,099,303</u>	<u>46,300</u>	<u>3,145,603</u>
Net assets released from restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue and Other Support	<u>3,099,303</u>	<u>46,300</u>	<u>3,145,603</u>
Expenses			
Program services			
Education	455,468	0	455,468
Public awareness	1,435,153	0	1,435,153
Research	1,015,643	0	1,015,643
Total program services	<u>2,906,264</u>	<u>0</u>	<u>2,906,264</u>
Supporting services:			
Management and general	69,723	0	69,723
Fundraising	95,605	0	95,605
Total supporting services	<u>165,328</u>	<u>0</u>	<u>165,328</u>
Total Expenses	<u>3,071,592</u>	<u>0</u>	<u>3,071,592</u>
Change In Net Assets	27,711	46,300	74,011
Net Assets, Beginning of Year	<u>913,505</u>	<u>17,083</u>	<u>930,588</u>
Net Assets, End of Year	<u>\$ 941,216</u>	<u>\$ 63,383</u>	<u>\$ 1,004,599</u>

See Independent Auditors' Report and Accompanying Footnotes.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Functional Expenses For The Year Ended September 30, 2016

	Program Services			Total Program Services
	Education	Public Awareness	Research	
In-Kind Goods and Services	\$ 215,247	\$ 915,060	\$ 792,589	\$ 1,922,896
Other Expenses				
Wages	153,126	122,824	5,958	281,908
Professional fees	4,412	70,898	27,583	102,893
Postage and shipping	8,573	5,686	0	14,259
Public relations	5	116,814	0	116,819
Printing and stationery	8,793	5,886	819	15,498
Office supplies	1,381	1,382	0	2,763
Operating supplies	1,431	7,293	0	8,724
Dues and subscriptions	2,464	2,183	1,390	6,037
Filing fees	1,255	1,256	0	2,511
Equipment maintenance	2,012	1,901	0	3,913
Telephone	2,882	2,882	3	5,767
Insurance	1,335	1,337	0	2,672
State and national meetings	9,022	13,133	9,410	31,565
Travel	7,346	4,002	15,136	26,484
Depreciation	2,034	4,334	1,680	8,048
Payroll taxes	5,736	12,460	4,831	23,027
Insurance - Health	5,687	4,639	244	10,570
Fundraising -				
Derby	0	0	0	0
Other	0	0	0	0
Board expenses	0	0	0	0
Professional training	0	258	0	258
Grants	4,950	0	156,000	160,950
Repairs and maintenance	3,353	2,133	0	5,486
Utilities	2,167	2,167	0	4,334
Miscellaneous	15	14	0	29
Retirement plan contributions	5,438	4,109	0	9,547
Website	3,777	2,865	0	6,642
Advertising and development	3,027	129,637	0	132,664
Total Other Expenses	240,221	520,093	223,054	983,368
Total Expenses	\$ 455,468	\$ 1,435,153	\$ 1,015,643	\$ 2,906,264

Supporting Services		
Management and General	Fundraising	Total
\$ 31,765	\$ 31,131	\$ 1,985,792
15,259	27,852	325,019
9,896	3,676	116,465
384	2,245	16,888
0	5	116,824
116	1,591	17,205
116	74	2,953
14	1,043	9,781
906	44	6,987
470	1,255	4,236
28	1,735	5,676
240	183	6,190
1,118	1,336	5,126
1,693	1,475	34,733
681	1,065	28,230
354	442	8,844
1,017	1,271	25,315
815	949	12,334
0	13,012	13,012
0	1,372	1,372
3,541	0	3,541
0	0	258
0	0	160,950
305	305	6,096
184	92	4,610
1	1	31
405	602	10,554
130	130	6,902
285	2,719	135,668
<u>37,958</u>	<u>64,474</u>	<u>1,085,800</u>
<u>\$ 69,723</u>	<u>\$ 95,605</u>	<u>\$ 3,071,592</u>

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION

Statement of Cash Flows For The Year Ended September 30, 2016

Operating Activities

Change in net assets	\$	74,011
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		8,844
Interest earned on investments		0
Restricted contributions - Long-lived assets		(1,300)
Increase (Decrease) in operating liabilities:		
Accounts payable		1,817
Accrued wages and benefits		(6,918)
Grants payable		90,000

Net Cash Provided By Operating Activities

166,454

Investing Activities

Purchase of equipment		<u>(1,500)</u>
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Net Cash Used In Investing Activities

(1,500)

Financing Activities

Restricted contributions- Long-lived assets		<u>1,300</u>
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Net Cash Provided By Financing Activities

1,300

Net Increase in Cash and Cash Equivalents

166,254

Cash and Cash Equivalents:

Beginning of Year

718,768

End of Year

\$ 885,022

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements
For the Year Ended September 30, 2016

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.

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 prioritized 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).

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, 2016

NOTE

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

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 and 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 assets may be designated for specific purpose by action of the Board of Directors.
- Temporarily Restricted Net Assets – Net assets subject to donor imposed restrictions, or restrictions that expire with the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions, which require that the gift principal be maintained permanently by the Organization. As of September 30, 2016, 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 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 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.

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, 2016

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, 2016 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 28, 2017, which is the date the financial statements were available for issue.

2. Fair Value Measurements

The Organization uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organization utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Organization applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value 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 input (Level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- 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: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, 4) 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 Organization's certificates of deposit are classified as level 2 measurement under the fair value hierarchy described in Note 1. The certificates mature in November 2016.

AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2016

NOTE**2. Fair Value Measurements (Continued)**

The following method and assumption was used by the Organization in estimating the fair value of its investments at September 30, 2016.

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

The preceding method described above 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 methods are 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, 2016.

The investment balance as of September 30, 2016 of \$96,738 were all level 2 assets.

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.

3. Property and Equipment

Property and equipment consists of the following assets at September 30, 2016:

Land	\$ 25,000
Building	233,339
Furniture and fixtures	<u>35,527</u>
Total	293,866
Less: Accumulated depreciation	<u>135,089</u>
Property and Equipment, Net	<u>\$ 158,777</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts having the following purpose restrictions as of September 30, 2016:

Clinic	\$ 18,383
ARNet registry project	20,000
Scientific Symposium	<u>25,000</u>
	<u>\$ 63,383</u>

5. Board Designated Net Assets

Board designated net assets consisted of amounts having the following board designations as of September 30, 2016:

Clinic	<u>\$ 10,000</u>
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AMERICAN AUTOIMMUNE RELATED DISEASES ASSOCIATION
Notes to the Financial Statements (Continued)
For the Year Ended September 30, 2016

NOTE

6. 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.

7. Concentration

Approximately \$180,000 of net contributions in the Statement of Activities was provided through various grants from one donor.

In-Kind services of approximately \$779,206 were provided by two donors.