

**VASCULITIS FOUNDATION**  
**FINANCIAL STATEMENTS**  
**and Independent Auditors' Report**  
**June 30, 2020 and 2019**

# VASCULITIS FOUNDATION

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements:</b>	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements .....	7-13

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vasculitis Foundation  
Kansas City, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Vasculitis Foundation (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of Vasculitis Foundation as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kansas City, Missouri  
September XX, 2020

VASCULITIS FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 103,038	\$ 85,925
Funds held by Northland Community Foundation (Note B)	1,499,403	1,679,894
Grants receivable	18,253	9,996
Prepaid expenses	4,705	25,405
Furniture and equipment, less accumulated depreciation (Note C)	36,267	54,218
Total Assets	\$ 1,661,666	\$ 1,855,438
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 5,900	\$ 5,634
Accrued liabilities	27,318	21,704
Deferred revenue (Note G)	0	48,660
Loan Payable (Note I)	72,960	0
Total Liabilities	106,178	75,998
Net Assets		
Without Donor Restrictions	184,320	81,968
Board Designated - Endowment (Note E)	253,378	242,458
Total Net Assets Without Donor Restrictions	437,698	324,426
Net Assets With Donor Restrictions (Note D)	1,117,790	1,455,014
Total Net Assets	1,555,488	1,779,440
Total Liabilities and Net Assets	\$ 1,661,666	\$ 1,855,438

The accompanying notes are an integral part of  
 this financial statement.

VASCULITIS FOUNDATION  
STATEMENTS OF ACTIVITIES  
For The Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Net Assets Without Donor Restrictions</u>		
Revenues and Other Support:		
General donations	\$ 345,491	\$ 390,272
Dues	9,520	25,039
Memorials	69,654	50,625
In-kind contributions	958	11,242
Honors	34,101	25,040
Other	3,552	4,016
Interest and dividends	14,590	14,071
Unrealized gain (loss)	(869)	4,632
Realized gain (loss)	7,604	3,950
	<u>484,601</u>	<u>528,887</u>
Net Assets released from restrictions	<u>1,031,524</u>	<u>531,569</u>
	1,516,125	1,060,456
Expenses:		
Patient support, awareness, and research	1,200,200	861,368
Administrative	119,136	135,327
Fundraising	83,517	128,804
Total Expenses	<u>1,402,853</u>	<u>1,125,499</u>
Change in Net Assets Without Donor Restrictions	113,272	(65,043)
<u>Net Assets With Donor Restrictions</u>		
Restricted contributions	662,347	905,008
Interest and dividends	12,133	20,554
Unrealized gain	11,740	14,563
Realized gain	8,080	2,971
Net asset released from restrictions	<u>(1,031,524)</u>	<u>(531,569)</u>
Change in Net Assets With Donor Restrictions	(337,224)	411,527
Change in Net Assets	(223,952)	346,484
Net Assets, beginning of year	<u>1,779,440</u>	<u>1,432,956</u>
Net Assets, end of year	<u>\$ 1,555,488</u>	<u>\$ 1,779,440</u>

The accompanying notes are an integral part of  
this financial statement.

VASCULITIS FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	\$ 201,749	\$ 54,971	\$ 10,113	\$ 266,833	\$ 170,527	\$ 59,112	\$ 12,649	\$ 242,288
Grants paid	359,195	-	-	359,195	234,415	-	-	234,415
Salaries and Wages	200,262	48,859	57,150	306,271	194,160	60,411	56,717	311,288
Newsletter	35,899	694	300	36,893	40,843	-	-	40,843
Symposium and conferences	228,544	-	-	228,544	57,287	-	-	57,287
Member information	98,435	500	-	98,935	91,304	-	-	91,304
Event costs	-	-	11,799	11,799	-	-	54,914	54,914
Payroll taxes and benefits	39,562	4,151	4,155	47,868	37,084	6,585	4,238	47,907
Board expenses	5,052	5,052	-	10,104	8,276	8,276	-	16,552
Medical Conferences	15,876	-	-	15,876	23,478	37	286	23,801
Depreciation	14,726	4,909	-	19,635	2,719	906	-	3,625
Client Survey & Data Collection	-	-	-	-	-	-	-	-
Memberships	900	-	-	900	1,275	-	-	1,275
<b>TOTAL EXPENSES</b>	<b>\$ 1,200,200</b>	<b>\$ 119,136</b>	<b>\$ 83,517</b>	<b>\$ 1,402,853</b>	<b>\$ 861,368</b>	<b>\$ 135,327</b>	<b>\$ 128,804</b>	<b>\$ 1,125,499</b>

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

VASCULITIS FOUNDATION  
 STATEMENTS OF CASH FLOWS  
 For The Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (223,952)	\$ 346,484
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	19,636	3,626
Realized (gain) on investments	(15,684)	(6,920)
Unrealized (gain) on Investments	(10,871)	(19,195)
(Increase) decrease in:		
Grants receivable	(8,257)	46,053
Prepaid expenses	20,700	(21,179)
Increase (decrease) in:		
Accounts payable	266	(11,066)
Accrued liabilities	5,614	(29,299)
Deferred revenue	(48,660)	48,360
Net Cash Provided by Operating Activities	(261,208)	356,864
 Cash Flows From Investing Activities:		
Purchases of furniture and equipment	(1,685)	(56,458)
Transfers from Northland Community Foundation	276,532	643,882
Transfers to Northland Community Foundation	(69,486)	(944,003)
Net Cash From (Used In) Investing Activities	205,361	(356,579)
 Cash Flows From Financing Activities:		
Proceeds from PPP loan	72,960	0
	72,960	0
 Net Change In Cash	17,113	285
 Cash, beginning of year	85,925	85,640
 Cash, end of year	\$ 103,038	\$ 85,925

The accompanying notes are an integral part of  
 this financial statement.



VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Vasculitis Foundation (The Foundation) is the largest patient support group and the only international organization for vasculitis patients and their loved ones. Vasculitis is a rare autoimmune disease that strikes people of all ages. There are at least fifteen known vasculitic diseases. There is no known cause or cure. Early diagnosis is critical to patients. Without effective treatment, the disease is fatal.

Through a newsletter, a website, information packets, medical consultants, symposiums, as well as area contacts and chapters, the Foundation works to raise awareness of vasculitis, educate patients about the disease, and support research into the cause, cure, and treatment of the disease.

Donated Materials and Services – Donated materials are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt. The Foundation records donated services to the extent that they create or enhance non-financial assets or that they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation had \$0 and \$1,141 of in-kind contributions for research and travel expenses for the years ended June 30, 2020 and 2019. Additionally, the Foundation had \$958 and \$10,101 in general in-kind contributions for the years ended June 30, 2020 and 2019.

Property and Equipment – The Foundation capitalizes all significant additions of property and equipment, which are recorded at acquisition cost if purchased, or fair value, if donated. Depreciation is provided on a straight-line basis over three years.

Income Taxes – The Foundation qualifies as tax exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax position meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Foundation is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Foundation is no longer subject to income tax examinations by the applicable tax authorities for the years before 2017. If any were to be incurred, the Foundation's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Cash Equivalents – For purpose of the statement of cash flows, the Foundation considers highly liquid investments purchased with initial maturities of less than three months to be cash equivalents. Included in cash equivalents at June 30, 2020 and 2019 was \$100 and \$10,795 held in money market funds at an investment company that were not insured by the Federal Deposit Insurance Corporation at June 30, 2020 and 2019, respectively.

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation– The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those included depreciation, board costs, mileage and office expenses, which were allocated based on purpose. Salaries and wages, taxes, and benefits were allocated on the basis of estimates of time and effort. All marketing and advertising and office services expenses during the year were related to patient support and awareness, and other research.

Use of Estimates – 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. Accordingly, actual results could differ from those estimates.

Research Funds – All donations that are designated for research are placed in the Foundation's Research Fund, which supports the Foundation's Research Program. The purpose of the Research Program is to provide one-year seed grants to support pilot studies in researching the etiology; epidemiology; diagnosis; treatment, including approaches that would prevent complications; and development of coping skills for living with the disease.

Awards are provided up to \$50,000 for a one-year study and up to \$100,000 for a two-year study. Smaller awards are also allowed. Suitable applicants are medical researchers in areas such as, but not limited to, rheumatology, immunology, nephrology, otolaryngology, pulmonary and respiratory diseases, and internal medicine.

Applications are reviewed by the Foundation's Research Committee and Scientific Advisory Board. Each investigator is required to submit a six-month progress report, including financial data. A final report is also required and is due within sixty days of the last day of the study and must also include a financial report. Donations designated for research may not be used to support any other program or activity of the Foundation, and are classified as donor restricted revenues and net assets.

Subsequent Events – Subsequent events have been evaluated through September XX, 2020, which is the date the financial statements were available to be issued.

NOTE B – FAIR VALUE MEASUREMENTS

FASB 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

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 Plan has the ability access.   |
| Level 2 | <p>Inputs to the valuation methodology include</p> <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>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.</p> |
| 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- Funds held by the Northland Community Foundation are valued based on quoted prices for the underlying securities assets or liabilities and are classified within Level 2 of the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2020 and 2019.

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

	<i>Assets at Fair Value as of June 30, 2020</i>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds held by Northland Community Foundation:				
Money market pool	\$ 750,929	\$ -	\$ 750,929	\$ -
Fixed income pool	457,177	-	457,177	-
Equity pool	291,297	-	291,297	-
	<u>\$1,499,403</u>	<u>\$ -</u>	<u>\$ 1,499,403</u>	<u>\$ -</u>

	<i>Assets at Fair Value as of June 30, 2019</i>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds held by Northland Community Foundation:				
Money market pool	\$ 897,171	\$ -	\$ 897,171	\$ -
Fixed income pool	481,661	-	481,661	-
Equity pool	301,062	-	301,062	-
	<u>\$1,679,894</u>	<u>\$ -</u>	<u>\$ 1,679,894</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 9,532	\$ 7,847
Website costs	105,606	105,606
	115,138	113,453
Accumulated depreciation	(78,871)	(59,235)
	<u>\$ 36,267</u>	<u>\$ 54,218</u>

Depreciation expense was \$19,636 and \$3,625 for the years ended June 30, 2020 and 2019.

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE D – Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Research grants	\$ 192,457	\$ 226,127
Peckerman Fund	121,623	112,395
Fellowship grants	35,532	43,113
Investment earnings	3,604	2,709
Dr. James Laio CSS Fund – Research	<u>125,000</u>	<u>200,000</u>
Total Research and Fellowship	<u>\$ 478,216</u>	<u>\$ 584,344</u>
Regional conferences	117,086	5,000
Symposiums	0	201,241
Genetech projects	212,094	228,029
GSK projects	148,550	116,600
Mayo Clinic CME course	0	26,545
Dr. James Laio CSS Memorial Fund	100,000	100,000
PCORI Grant funds	<u>61,844</u>	<u>193,255</u>
Total Patient education and support	<u>639,574</u>	<u>870,670</u>
Total Net Assets with Donor Restriction	<u>\$1,117,790</u>	<u>\$1,455,014</u>

NOTE E – BOARD DESIGNATED ENDOWMENT FUNDS

The Foundation has set aside certain funds that it has board-designated to be treated similarly to an endowment. Such funds are to generate a long-term, total rate of return that will increase the value of the assets. The Foundation's endowment assets, which are held in various investment pools at the Northland Community Foundation, totaled \$253,378 and \$242,457 at June 30, 2020 and 2019.

The Foundation has established investment policies for its board-designated endowment fund. These policies provide for investing approximately 65% of the funds in the equity pool, approximately 35% in the fixed income pool, and less than 1% of the funds in the money market pool. All expenditures of these funds are approved by the Board of Directors. The following table presents a reconciliation of the beginning and ending balances of these endowment funds:

Balance at June 30, 2019	\$ 242,458
Expenditures and fees	(1,562)
Investment income	5,690
Gain on investments	<u>6,792</u>
Balance at June 30, 2020	<u>\$253,378</u>

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE F – CONCENTRATIONS

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

A significant portion (10% or greater) of the Foundation's fiscal 2020 revenues came from one donor/grantor and 3 donors/grantors for fiscal 2019.

NOTE G – DEFERRED REVENUE

The Foundation typically receives fees and registrations for Symposiums to be held at a future date. These funds are classified as deferred revenues until such time as the events occur. At that time, the fees are reclassified to current year revenues. Deferred revenues totaled \$0 and \$48,660 at June 30, 2020 and 2019.

NOTE H - LIQUIDITY

It is critical for the Vasculitis Foundation to maintain sufficient unrestricted cash reserves to sustain its operations in support of its mission during periods of adverse financial circumstances. Toward that end, the Board of the Organization has established the following financial operating principles:

- Annual budgets will be reasonable in their revenue expectations and flexible in their spending pace to allow for cost adjustments during the year should revenues trend short of plan.
- Any unrestricted operating surplus will be set aside in the institution's reserve fund to be utilized only with the Board's approval.
- No project will be undertaken, including but not limited to underwriting, research and fellowships, without full funding in place.

It is the goal of the Board to maintain an unrestricted reserve fund (including the board designated reserve) of at least six months of unrestricted expenses. Unrestricted reserves will be divided between a Board designated endowment and other unrestricted cash reserves. The Finance Committee of the VF is responsible for monitoring the unrestricted reserves and reporting their status at each Board meeting.

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE H – LIQUIDITY - continued

Financial assets, at year-ended :

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 103,038	\$ 85,925
Investments	1,499,403	1,679,894
Receivables	<u>18,253</u>	<u>9,996</u>
Total financial assets, at year-end	<u>\$1,620,694</u>	<u>\$1,775,815</u>
Financial assets unavailable for general Expenditures:		
Accounts payable	5,900	5,634
Accrued liabilities	27,318	21,704
Loan payable	72,960	0
Board designated reserve	253,378	242,458
Amounts restricted by donor	<u>1,117,790</u>	<u>1,455,014</u>
	<u>\$1,477,346</u>	<u>\$1,724,810</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 143,348</u>	<u>\$ 51,005</u>

NOTE I – LOAN PAYABLE

The Foundation received a \$72,960 payroll protection program (PPP) loan through the Small Business Administration (SBA) and Security Bank. As part of the terms of the PPP loan, principal and interest will be forgiven if the entity spends the loan proceeds on qualifying items. As of June 30, 2020, all loan proceeds had been spent on qualifying items. However, in accordance with FASB ASC Topic 470, the Organization has decided to record the loan proceeds as a current liability until formal loan forgiveness is obtained from SBA. During fiscal 2021, it is anticipated that the loan proceeds will be recharacterized as grant reviews.

NOTE J – COVID-19

Management is currently evaluating the effects of the COVID-19 virus and its impact on their financial position and has concluded that while it is reasonably possible that the virus will likely have an effect on their future operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this on-going uncertainty.