

VASCULITIS FOUNDATION
FINANCIAL STATEMENTS
and Independent Auditors' Report
June 30, 2021 and 2020

VASCULITIS FOUNDATION

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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, 2021 and 2020, 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.

B E P O S I  I V E .

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, 2021 and 2020, 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.

Novah Burt P.C.

Kansas City, Missouri
October 25, 2021

VASCULITIS FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 234,848	\$ 103,038
Funds held by Northland Community Foundation (Note B)	1,619,694	1,499,403
Pledges and Grants receivable	200,868	18,253
Prepaid expenses	10,222	4,705
Furniture, equipment, & website, less accumulated depreciation & amortization (Note C)	16,479	36,267
Total Assets	\$ 2,082,111	\$ 1,661,666
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 3,031	\$ 5,900
Accrued liabilities	27,771	27,318
Loan Payable (Note I)	-	72,960
Total Liabilities	30,802	106,178
Net Assets		
Without Donor Restrictions	467,344	184,320
Board Designated - Endowment (Note E)	313,242	253,378
Total Net Assets Without Donor Restrictions	780,586	437,698
Net Assets With Donor Restrictions (Note D)	1,270,723	1,117,790
Total Net Assets	2,051,309	1,555,488
Total Liabilities and Net Assets	\$ 2,082,111	\$ 1,661,666

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

VASCULITIS FOUNDATION
 STATEMENTS OF ACTIVITIES
 For The Years Ended June 30, 2021 and 2020

	2021	2020
<u>Net Assets Without Donor Restrictions</u>		
Revenues and Other Support:		
General donations	\$ 342,931	\$ 345,491
PPP Loan Forgiveness	145,775	-
Dues	2,765	9,520
Memorials	65,557	69,654
In-kind contributions	-	958
Honors	37,209	34,101
Other	1,131	3,552
Interest and dividends	5,245	14,590
Unrealized gain (loss)	36,966	(869)
Realized gain (loss)	21,908	7,604
	659,487	484,601
Net Assets released from restrictions	569,666	1,031,524
	1,229,153	1,516,125
Expenses:		
Patient support, awareness, and research	713,204	1,200,200
Administrative	98,150	119,136
Fundraising	74,911	83,517
Total Expenses	886,265	1,402,853
Change in Net Assets Without Donor Restrictions	342,888	113,272
<u>Net Assets With Donor Restrictions</u>		
Restricted contributions	679,314	662,347
Interest and dividends	9,001	12,133
Unrealized gain	24,041	11,740
Realized gain	10,243	8,080
Net asset released from restrictions	(569,666)	(1,031,524)
Change in Net Assets With Donor Restrictions	152,933	(337,224)
Change in Net Assets	495,821	(223,952)
Net Assets, beginning of year	1,555,488	1,779,440
Net Assets, end of year	\$ 2,051,309	\$ 1,555,488

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

VASCULITIS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	\$ 96,915	\$ 45,044	\$ 7,779	\$ 149,738	\$ 201,749	\$ 54,971	\$ 10,113	\$ 266,833
Grants paid	195,299	-	-	195,299	359,195	-	-	359,195
Salaries and Wages	199,621	42,591	57,894	300,106	200,262	48,859	57,150	306,271
Newsletter	11,452	-	-	11,452	35,899	694	300	36,893
Symposium and conferences	66,886	-	16	66,902	228,544	-	-	228,544
Member information	81,374	-	-	81,374	98,435	500	-	98,935
Event costs	-	-	5,086	5,086	-	-	11,799	11,799
Payroll taxes and benefits	42,069	4,110	4,136	50,315	39,562	4,151	4,155	47,868
Board expenses	1,458	1,458	-	2,916	5,052	5,052	-	10,104
Medical Conferences	1,989	-	-	1,989	15,876	-	-	15,876
Depreciation	14,841	4,947	-	19,788	14,726	4,909	-	19,635
Memberships	1,300	-	-	1,300	900	-	-	900
TOTAL EXPENSES	\$ 713,204	\$ 98,150	\$ 74,911	\$ 886,265	\$ 1,200,200	\$ 119,136	\$ 83,517	\$ 1,402,853

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

VASCULITIS FOUNDATION
 STATEMENTS OF CASH FLOWS
 For The Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 495,821	\$ (223,952)
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	19,789	19,636
Realized (gain) on investments	(35,901)	(15,684)
Unrealized (gain) on investments	(61,007)	(10,871)
(Increase) decrease in:		
Grants receivable	(182,615)	(8,257)
Prepaid expenses	(5,517)	20,700
Increase (decrease) in:		
Accounts payable	(2,869)	266
Accrued liabilities	453	5,614
PPP loan forgiveness	(145,775)	-
Deferred revenue	-	(48,660)
Net Cash Provided by (used in) Operating Activities	82,379	(261,208)
 Cash Flows From Investing Activities:		
Purchases of furniture and equipment	-	(1,685)
Transfers from Northland Community Foundation	213,112	264,643
Sales from Northland Community Foundation	95,371	313,792
Purchases of Northland Community Foundation	(312,867)	(366,746)
Transfers to Northland Community Foundation	(19,000)	(4,643)
Net Cash From (Used In) Investing Activities	(23,384)	205,361
 Cash Flows From Financing Activities:		
Proceeds from PPP loan	72,815	72,960
	72,815.00	72,960
 Net Change In Cash	131,810	17,113
 Cash, beginning of year	103,038	85,925
 Cash, end of year	\$ 234,848	\$ 103,038

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

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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.

Property and Equipment – The Foundation capitalizes all significant additions of property, equipment, and website design which are recorded at acquisition cost if purchased, or fair value, if donated. Depreciation and amortization are 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 2018. 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, 2021 and 2020 was \$100 held in money market funds at an investment company that were not insured by the Federal Deposit Insurance Corporation at June 30, 2021 and 2020.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 October 25, 2021, 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, 2021 and 2020

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 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- 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.

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, 2021 and 2020.

- 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, 2021 and 2020.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

	<i>Assets at Fair Value as of June 30, 2021</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	\$ 728,966	\$ -	\$ 728,966	\$ -
Fixed income pool	551,663	-	551,663	-
Equity pool	<u>339,065</u>	<u>-</u>	<u>339,065</u>	<u>-</u>
	<u>\$1,619,694</u>	<u>\$ -</u>	<u>\$ 1,619,694</u>	<u>\$ -</u>

	<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	<u>291,297</u>	<u>-</u>	<u>291,297</u>	<u>-</u>
	<u>\$1,499,403</u>	<u>\$ -</u>	<u>\$ 1,499,403</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 9,532	\$ 9,532
Website costs	<u>105,606</u>	<u>105,606</u>
	115,138	115,138
Accumulated depreciation and amortization	<u>(98,659)</u>	<u>(78,871)</u>
	<u>\$ 16,479</u>	<u>\$ 36,267</u>

Depreciation expense was \$19,789 and \$19,636 for the years ended June 30, 2021 and 2020.

VASCULITIS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE D – Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Research grants	\$ 411,590	\$ 192,457
Peckerman Fund	132,114	121,623
Fellowship grants	103,234	35,532
Pathways to Diagnosis (P2D)	300,000	-
Investment earnings	-	3,604
Dr. James Liao CSS Fund – Research	<u>100,000</u>	<u>125,000</u>
 Total Research and Fellowship	 <u>\$1,046,938</u>	 <u>\$ 478,216</u>
 Regional conferences	 49,500	 124,849
Pathways to Diagnosis	-	300,000
Webinars and Podcasts	23,080	52,881
ACR/VF Vasculitis Treatment Guidelines	19,375	-
Website	30,830	-
Dr. James Liao CSS Fund – Awareness	100,000	100,000
McMaster VPPRN Options Study	1,000	-
PCORI Grant funds	-	61,844
Total Patient education and support	<u>\$ 223,785</u>	<u>\$ 639,574</u>
 Total Net Assets with Donor Restrictions	 <u>\$1,270,723</u>	 <u>\$1,117,790</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 \$313,242 and \$253,378 at June 30, 2021 and 2020.

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, 2020	\$253,378
Expenditures and fees	(1,824)
Investment income	5,243
Gain on investments	<u>56,445</u>
Balance at June 30, 2021	<u>\$313,242</u>

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 2021 and 2020 revenues came from one donor/grantor.

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. There were no deferred revenues at June 30, 2021 or 2020.

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, 2021 and 2020

NOTE H – LIQUIDITY - continued

Financial assets, at year-ended :

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 234,848	\$ 103,038
Investments	1,619,694	1,499,403
Receivables	<u>200,868</u>	<u>18,253</u>
Total financial assets, at year-end	<u>\$2,055,410</u>	<u>\$1,620,694</u>
Financial assets unavailable for general Expenditures:		
Accounts payable	3,031	5,900
Accrued liabilities	27,771	27,318
Loan payable	0	72,960
Board designated reserve	313,242	253,378
Amounts restricted by donor	<u>1,270,723</u>	<u>1,117,790</u>
	<u>\$1,614,767</u>	<u>\$1,477,346</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 440,643</u>	<u>\$ 143,348</u>

NOTE I – PAYROLL PROTECTION PROGRAM FUNDS

The Foundation received a \$72,960 payroll protection program (PPP) loan through the Small Business Administration (SBA) and Security Bank in the fiscal year ended June 30, 2020. As part of the terms of the PPP loan, principal and interest would be forgiven if the entity spends the loan proceeds on qualifying items. As of June 30, 2020, this loan had not been forgiven. In February 2021 the Foundation received an additional PPP loan for \$72,815. During the year ended June 30, 2021, the Foundation received notice of forgiveness from the SBA for both loans for \$145,775. In accordance with FASB ASC Topic 470, the Foundation has recorded the loan proceeds as PPP loan forgiveness revenue at June 30, 2021.

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.