

**VASCULITIS FOUNDATION**  
**FINANCIAL STATEMENTS**  
**and Independent Auditors' Report**  
**June 30, 2022 and 2021**

VASCULITIS FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vasculitis Foundation  
Kansas City, Missouri

### **Opinion**

We have audited the accompanying financial statements of Vasculitis Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 about Vasculitis Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Vasculitis Foundation'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 Vasculitis Foundation'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.

*Nevak Burns P.C.*

Kansas City, Missouri  
October 14, 2022



VASCULITIS FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,257,332	\$ 569,070
Investments (Note B)	1,065,294	1,285,472
Pledges and Grants receivable	102,437	200,868
Prepaid expenses	22,543	10,222
Furniture, equipment, & website, less accumulated depreciation & amortization (Note C)	10,325	16,479
Total Assets	\$ 2,457,931	\$ 2,082,111
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 83	\$ 3,031
Accrued liabilities	28,326	27,771
Total Liabilities	28,409	30,802
Net Assets		
Without Donor Restrictions	626,498	467,344
Board Designated - Endowment (Note E)	274,635	313,242
Total Net Assets Without Donor Restrictions	901,133	780,586
Net Assets With Donor Restrictions (Note D)	1,528,389	1,270,723
Total Net Assets	2,429,522	2,051,309
Total Liabilities and Net Assets	\$ 2,457,931	\$ 2,082,111

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

VASCULITIS FOUNDATION  
STATEMENTS OF ACTIVITIES  
For The Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Net Assets Without Donor Restrictions</u>		
Revenues and Other Support:		
General donations	\$ 543,151	\$ 318,111
Fees for Service	56,462	24,820
PPP Loan Forgiveness	-	145,775
Dues	4,690	2,765
Memorials and Honors	91,620	102,766
Other	-	1,131
Interest and dividends	5,720	5,245
Investment gain (loss)	<u>(44,063)</u>	<u>58,874</u>
	657,580	659,487
Net Assets released from restrictions	<u>538,552</u>	<u>569,666</u>
	1,196,132	1,229,153
Expenses:		
Patient support, awareness, and research	838,630	713,204
Administrative	124,845	98,150
Fundraising	<u>112,110</u>	<u>74,911</u>
Total Expenses	<u>1,075,585</u>	<u>886,265</u>
Change in Net Assets Without Donor Restrictions	120,547	342,888
<u>Net Assets With Donor Restrictions</u>		
Restricted contributions	840,464	679,314
Interest and dividends	8,168	9,001
Investment gain (loss)	(47,679)	34,284
Investment fees	(4,735)	-
Net asset released from restrictions	<u>(538,552)</u>	<u>(569,666)</u>
Change in Net Assets With Donor Restrictions	257,666	152,933
Change in Net Assets	378,213	495,821
Net Assets, beginning of year	<u>2,051,309</u>	<u>1,555,488</u>
Net Assets, end of year	<u>\$ 2,429,522</u>	<u>\$ 2,051,309</u>

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

VASCULITIS FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	63,150	61,433	13,462	138,045	96,915	45,044	7,779	149,738
Grants paid	444,066	-	-	444,066	195,299	-	-	195,299
Salaries and Wages	172,705	44,313	92,035	309,053	199,621	42,591	57,894	300,106
Newsletter	3,568	-	-	3,568	11,452	-	-	11,452
Symposium and conferences	3,248	-	-	3,248	66,886	-	16	66,902
Member information	70,466	-	-	70,466	81,374	-	-	81,374
Event costs	-	-	-	-	-	-	5,086	5,086
Payroll taxes and benefits	43,298	4,242	6,613	54,153	42,069	4,110	4,136	50,315
Board expenses	10,384	10,384	-	20,768	1,458	1,458	-	2,916
Medical Conferences	12,900	-	-	12,900	1,989	-	-	1,989
Depreciation	13,420	4,473	-	17,893	14,841	4,947	-	19,788
Memberships	1,425	-	-	1,425	1,300	-	-	1,300
<b>TOTAL EXPENSES</b>	<b>\$ 838,630</b>	<b>\$ 124,845</b>	<b>\$ 112,110</b>	<b>\$ 1,075,585</b>	<b>\$ 713,204</b>	<b>\$ 98,150</b>	<b>\$ 74,911</b>	<b>\$ 886,265</b>

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

VASCULITIS FOUNDATION  
 STATEMENTS OF CASH FLOWS  
 For The Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 378,213	\$ 495,821
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	17,894	19,789
Realized (gain) on investments	(19,005)	(35,901)
Unrealized (gain) on investments	110,747	(61,007)
(Increase) decrease in:		
Grants receivable	98,431	(182,615)
Prepaid expenses	(12,321)	(5,517)
Increase (decrease) in:		
Accounts payable	(2,948)	(2,869)
Accrued liabilities	555	453
PPP loan forgiveness	-	(145,775)
Net Cash Provided by (used in) Operating Activities	571,566	82,379
 Cash Flows From Investing Activities:		
Purchases of furniture and equipment	(11,740)	-
Purchases of Securities	(378,541)	(246,868.00)
Sale of Securities	506,977	213,548.00
Net Cash From (Used In) Investing Activities	116,696	(33,320)
 Cash Flows From Financing Activities:		
Proceeds from PPP loan	-	72,815
	-	72,815
 Net Change In Cash	688,262	121,874
 Cash, beginning of year	569,070	447,196
 Cash, end of year	\$ 1,257,332	\$ 569,070

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



VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Vasculitis Foundation (VF) is the international advocacy group for people with vasculitis. Through its awareness, education, advocacy, research and fellowship programs, the VF supports and advances the cause of patients and their families to improve lives. The VF partners with vasculitis experts, healthcare providers, and researchers around the world to improve diagnostic times, develop more effective treatments, and hopefully, someday, to discover a cure for vasculitis.

The V-BOLD (Vasculitis – Building Outcomes, Leading Discoveries) Program combines our research, fellowship, education and vasculitis center initiatives to engage the medical community to the benefit of our patients.

Revenue Recognition – Contributions and grants are generally available for unrestricted use in the current year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Grants and other contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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, 2022 and 2021 was \$334,422 and \$857,487 held in money market funds at an investment company and the Greater Kansas City Community Foundation that were not insured by the Federal Deposit Insurance Corporation at June 30, 2022 and 2021.



VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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.

Subsequent Events – Subsequent events have been evaluated through October 14, 2022, 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).

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 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.



VASCULITIS FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022 and 2021

NOTE B – FAIR VALUE MEASUREMENTS - continued

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, 2022 and 2021.

- Funds held by the Greater Kansas City 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, 2022 and 2021.

	<u>Assets at Fair Value as of June 30, 2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market pool	\$ 373,138	\$ -	\$ 373,138	\$ -
Fixed income pool	430,070	-	430,070	-
Equity pool	262,086	-	262,086	-
	<u>\$1,065,294</u>	<u>\$ -</u>	<u>\$ 1,065,294</u>	<u>\$ -</u>

	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market pool	\$ 394,744	\$ -	\$ 394,744	\$ -
Fixed income pool	551,663	-	551,663	-
Equity pool	339,065	-	339,065	-
	<u>\$1,285,472</u>	<u>\$ -</u>	<u>\$ 1,285,472</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 21,271	\$ 9,532
Website costs	105,606	105,606
	126,877	115,138
Accumulated depreciation and amortization	<u>(116,552)</u>	<u>(98,659)</u>
	<u>\$ 10,325</u>	<u>\$ 16,479</u>

Depreciation expense was \$17,894 and \$19,789 for the years ended June 30, 2022 and 2021.

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

NOTE D – Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Research grants	\$ 425,104	\$ 411,590
Peckerman Fund	142,373	132,114
Fellowship grants	114,370	103,234
Pathways to Diagnosis (P2D)	-	300,000
Dr. James Liao CSS Fund – Research	<u>100,000</u>	<u>100,000</u>
 Total Research and Fellowship	 <u>\$ 781,847</u>	 <u>\$1,046,938</u>
 Regional conferences	 282,915	 49,500
Webinars and Podcasts	3,894	23,080
ACR/VF Vasculitis Treatment Guidelines	11,250	19,375
Website	41,933	30,830
VMA/Patient Heroes	6,550	-
Patient Education	300,000	-
Dr. James Liao CSS Fund – Awareness	100,000	100,000
McMaster VPPRN Options Study	<u>-</u>	<u>1,000</u>
 Total Patient education and support	 <u>\$ 746,542</u>	 <u>\$ 223,785</u>
 Total Net Assets with Donor Restrictions	 <u>\$1,528,389</u>	 <u>\$ 1,270,723</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 Greater Kansas City Community Foundation, totaled \$274,635 and \$313,242 at June 30, 2022 and 2021.

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:

	<u>2022</u>	<u>2021</u>
Balance at June 30, 2021	\$ 313,242	\$ 253,378
Expenditures and fees	(1,792)	(1,824)
Investment income	5,605	5,243
Gain/(loss) on investments	<u>(42,420)</u>	<u>56,445</u>
Balance at June 30, 2022	<u>\$ 274,635</u>	<u>\$ 313,242</u>

VASCULITIS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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 2022 and 2021 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, 2022 or 2021.

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 Vasculitis Foundation is responsible for monitoring the unrestricted reserves and reporting their status at each Board meeting.

VASCULITIS FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022 and 2021

NOTE H – LIQUIDITY - continued

Financial assets, at year-ended :

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$1,257,332	\$ 569,070
Investments	1,065,294	1,285,472
Receivables	<u>102,437</u>	<u>200,868</u>
Total financial assets, at year-end	<u>\$ 2,425,063</u>	<u>\$2,055,410</u>
Financial assets unavailable for general Expenditures:		
Accounts payable	83	3,031
Accrued liabilities	28,326	27,771
Board designated reserve	274,635	313,242
Amounts restricted by donor	<u>1,528,389</u>	<u>1,270,723</u>
	<u>\$1,831,433</u>	<u>\$1,614,767</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 593,630</u>	<u>\$ 440,643</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. 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 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.

NOTE K - RECLASSIFICATIONS

Certain balances from the June 30, 2021 financial statements have been reclassified to conform to the June 30, 2022 financial statement presentation. These reclassifications had no effect on the change in net assets for the year ended June 30, 2021.