

VASCULITIS FOUNDATION

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017, 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 T 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, 2018 and 2017, 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.

Novak Birks, P.C.

Kansas City, Missouri
Novak Birks, PC
October 17, 2018

VASCULITIS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 85,640	\$ 41,745
Funds held by Northland Community Foundation	1,353,658	1,278,446
Grants receivable	56,049	69,120
Prepaid expenses	4,226	2,435
Furniture and equipment, less accumulated depreciation	1,386	-
Total Assets	\$ 1,500,959	\$ 1,391,746

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 16,700	\$ 14,681
Accrued liabilities	51,003	46,147
Deferred revenue	300	0
Total Liabilities	68,003	60,828
Net Assets		
Unrestricted	264,017	201,282
Unrestricted - Board designated - endowment (Note E)	229,195	214,763
Total Unrestricted Net Assets	493,212	416,045
Temporarily restricted net assets	939,744	914,873
Total Net Assets	1,432,956	1,330,918
Total Liabilities and Net Assets	\$ 1,500,959	\$ 1,391,746

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

VASCULITIS FOUNDATION
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2018 and 2017

	2018	2017
<u>UNRESTRICTED NET ASSETS</u>		
Revenues and Other Support:		
General donations	\$ 380,093	\$ 409,504
Dues	24,620	32,791
Memorials	53,561	81,781
In-kind contributions	30,278	2,338
Honors	52,217	19,318
Other	5,427	5,062
Symposium revenue	154	94,902
Interest and dividends	6,777	5,142
Unrealized gain (loss)	5,779	17,124
Realized gain (loss)	4,078	2,396
	562,984	670,358
Net Assets released from restrictions	577,541	700,477
	1,140,525	1,370,835
Expenses:		
Patient support, awareness, and research	843,982	1,070,852
Administrative	121,063	75,154
Fundraising	98,313	84,704
Total Expenses	1,063,358	1,230,710
Change in Unrestricted Net Assets	77,167	140,125
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Revenues		
Restricted donations	585,166	781,489
Interest and dividends	13,196	12,181
Unrealized gain (loss)	978	8,881
Realized gain (loss)	3,072	3,302
Net asset released from restrictions	(577,541)	(700,477)
Change in Temporarily Restricted Net Assets	24,871	105,376
Change in Net Assets	102,038	245,501
Net Assets, beginning of year	1,330,918	1,085,417
Net Assets, end of year	\$ 1,432,956	\$ 1,330,918

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

VASCULITIS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	\$ 140,690	\$ 66,361	\$ 11,537	\$ 218,588	\$ 209,576	\$ 24,749	\$ 10,735	\$ 245,060
Grants paid	324,857	-	-	324,857	331,884	-	-	331,884
Salaries and Wages	177,930	38,647	7,443	224,020	193,940	35,926	3,757	233,623
Newsletter	30,438	-	-	30,438	34,546	-	-	34,546
Symposium and conferences	3,173	-	-	3,173	201,686	-	-	201,686
Member information	90,096	-	-	90,096	50,041	-	-	50,041
Medical Awareness Program	1,200	-	-	1,200	-	-	-	-
Event costs	-	-	77,482	77,482	-	-	69,364	69,364
Payroll taxes and benefits	23,496	6,037	1,851	31,384	27,700	5,586	848	34,134
Board expenses	10,073	9,998	-	20,071	8,859	8,859	-	17,718
Medical Conferences	8,648	-	-	8,648	10,588	-	-	10,588
Depreciation	61	20	-	81	102	34	-	136
Client Survey & Data Collection	31,120	-	-	31,120	-	-	-	-
Memberships	2,200	-	-	2,200	1,930	-	-	1,930
TOTAL EXPENSES	\$ 843,982	\$ 121,063	\$ 98,313	\$ 1,063,358	\$ 1,070,852	\$ 75,154	\$ 84,704	\$ 1,230,710

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

VASCULITIS FOUNDATION
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 102,038	\$ 245,501
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	82	136
Realized (gain) on investments	(7,150)	(26,005)
Unrealized (gain) on Investments	(6,758)	(5,698)
(Increase) decrease in:		
Grants receivable	13,071	28,383
Prepaid expenses	(1,791)	174
Increase (decrease) in:		
Accounts payable	2,019	(4,745)
Accrued liabilities	4,856	8,434
Deferred revenue	300	(8,325)
Net Cash Provided by Operating Activities	106,667	237,855
 Cash Flows From Investing Activities:		
Purchases of furniture and equipment	(1,468)	-
Transfers from Northland Community Foundation	172,000	210,130
Transfers to Northland Community Foundation	(233,304)	(472,000)
Net Cash From (Used In) Investing Activities	(62,772)	(261,870)
 Net Change In Cash	43,895	(24,015)
 Cash, beginning of year	41,745	65,760
 Cash, end of year	\$ 85,640	\$ 41,745

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

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$3,408 and \$1,023 of in-kind contributions for research and travel expenses for the years ended June 30, 2018 and 2017., respectively. Additionally, the Foundation had \$26,870 and \$1,315 in general in-kind contributions for the year ended June 30, 2018 and 2017., respectively.

Furniture 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 2015. 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, 2018 and 2017 was \$2,079 and \$19,098, respectively, held in money market funds at an investment company that were not insured by the Federal Deposit Insurance Corporation.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation- The Foundation allocates its expenses on a functional basis among its program, administrative, and fundraising activities. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

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 temporarily restricted revenues and net assets.

Subsequent Events – Subsequent events have been evaluated through October 17, 2018, 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, 2018 and 2017

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 <ul style="list-style-type: none">• 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, 2018 and 2017.

- 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, 2018 and 2017.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

	<i>Assets at Fair Value as of June 30, 2018</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	\$ 769,800	\$ -	\$ 769,800	\$ -
Fixed income pool	348,800	-	348,800	-
Equity pool	<u>235,058</u>	<u>-</u>	<u>235,058</u>	<u>-</u>
	<u>\$1,353,658</u>	<u>\$ -</u>	<u>\$ 1,353,658</u>	<u>\$ -</u>

	<i>Assets at Fair Value as of June 30, 2017</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	\$ 543,444	\$ -	\$ 543,444	\$ -
Fixed income pool	462,918	-	462,918	-
Equity pool	<u>272,084</u>	<u>-</u>	<u>272,084</u>	<u>-</u>
	<u>\$1,278,446</u>	<u>\$ -</u>	<u>\$ 1,278,446</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consists of:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 7,847	\$ 6,380
Website costs	<u>49,147</u>	<u>49,147</u>
	56,994	55,527
Accumulated depreciation	<u>(55,608)</u>	<u>(55,527)</u>
	<u>\$ 1,386</u>	<u>\$ -</u>

Depreciation expense was \$82 and \$136 for each of the years ended June 30, 2018 and 2017, respectively.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Research	\$ 324,285	\$ 443,069
Patient education and support	<u>615,459</u>	<u>471,804</u>
	<u>\$ 939,744</u>	<u>\$ 914,873</u>

VASCULITIS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE E – UNRESTRICTED 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 \$229,195 and \$214,763 at June 30, 2018 and 2017, respectively.

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, 2016	\$194,569
Expenditures and fees	(1,422)
Investment income	4,376
Gain on investments	<u>17,240</u>
Balance at June 30, 2017	<u>\$214,763</u>
Expenditures and fees	(1,573)
Investment income	4,965
Gain on investments	<u>11,040</u>
Balance at June 30, 2018	<u>\$229,195</u>

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 (25%) of the Foundation's fiscal 2018 revenues came from one donor.

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 \$300 at June 30, 2018. There were no deferred revenues at June 30, 2017.