

VASCULITIS FOUNDATION
FINANCIAL STATEMENTS
and Independent Auditors' Report
June 30, 2023

VASCULITIS FOUNDATION

TABLE OF CONTENTS

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



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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, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, 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.



Kansas City, Missouri
October 30, 2023



VASCULITIS FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 1,485,180
Investments (Note B)	2,970,748
Pledges and Grants receivable	25,000
Prepaid expenses	39,458
Furniture, equipment, & website, less accumulated depreciation & amortization (Note C)	8,117
Total Assets	\$ 4,528,503

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 3,455
Accrued liabilities	34,207
Deferred revenue (Note G)	45,100
Total Liabilities	82,762
Net Assets	
Without Donor Restrictions	269,852
Board Designated - Endowment (Note E)	1,079,685
Total Net Assets Without Donor Restrictions	1,349,537
Net Assets With Donor Restrictions (Note D)	3,096,204
Total Net Assets	4,445,741
Total Liabilities and Net Assets	\$ 4,528,503

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

VASCULITIS FOUNDATION
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

	Without Donor Restrictions			With Donor Restrictions	
	Operating	Board-Designated Endowment		Total	Restrictions
<u>Net Assets Without Donor Restrictions</u>					
Revenues and Other Support:					
Contributions	\$ 822,444	\$ -	\$ 822,444	\$ 2,065,767	\$ 2,888,211
Fees for Service	3,000	-	3,000	-	3,000
Symposium/Conference fees	255,826	-	255,826	-	255,826
Interest and dividends	31,834	18,304	50,138	36,190	86,328
Investment gain (loss) - net of fees	(5,687)	27,682	21,995	18,766	40,761
	1,107,417	45,986	1,153,403	2,120,723	3,274,126
Net Assets released from restrictions	552,908	-	552,908	(552,908)	-
	1,660,325	45,986	1,706,311	1,567,815	3,274,126
<u>Expenses:</u>					
Patient support, awareness, and research	740,603	-	740,603	-	740,603
Administrative	326,394	-	326,394	-	326,394
Fundraising	190,910	-	190,910	-	190,910
Total Expenses	1,257,907	-	1,257,907	-	1,257,907
Change in Net Assets	402,418	45,986	448,404	1,567,815	2,016,219
Transfer to Board Designated Endowment	(759,064)	759,064	-	-	-
Change in Net Assets	(356,646)	805,050	448,404	1,567,815	2,016,219
Net Assets, beginning of year	626,498	274,635	901,133	1,528,389	2,429,522
Net Assets, end of year	\$ 269,852	\$ 1,079,685	\$ 1,349,537	\$ 3,096,204	\$ 4,445,741

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

VASCULITIS FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended June 30, 2023

	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Salaries and wages	\$ 242,165	\$ 58,861	\$ 139,390	\$ 440,416
Payroll taxes and benefits	49,145	12,164	24,402	85,711
Professional services	117,448	108,604	4,182	230,234
Technology	39,058	93,847	1,341	134,246
Grants Paid	127,472	-	-	127,472
Marketing/Publication	38,618	238	9,755	48,611
Program Presentation	124,542	-	11,840	136,382
Operations Expense	2,155	38,447	-	40,602
Depreciation	-	4,390	-	4,390
Board expenses	-	9,843	-	9,843
	<u>740,603</u>	<u>326,394</u>	<u>190,910</u>	<u>1,257,907</u>
TOTAL EXPENSES				

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

VASCULITIS FOUNDATION
STATEMENTS OF CASH FLOWS
For The Year Ended June 30, 2023

Cash Flows From Operating Activities:	\$ 2,016,219
Change in net assets	
Adjustments to reconcile increase in net assets to net cash flows from operating activities:	
Depreciation	4,390
Realized loss on investments	519
Unrealized (gain) on investments	(57,163)
(Increase) decrease in:	
Grants receivable	77,434
Prepaid expenses	(16,915)
Increase in:	
Accounts payable	3,139
Accrued liabilities	6,114
Deferred revenue	45,100
Net Cash Provided by Operating Activities	<u>2,078,837</u>
 Cash Flows From Investing Activities:	
Purchases of furniture and equipment	(2,183)
Purchase of security	(1,967,754)
Sale of Security	118,946
Net Cash (Used In) Investing Activities	<u>(1,850,991)</u>
 Net Change In Cash	<u>227,846</u>
 Cash, beginning of year	<u>1,257,334</u>
 Cash, end of year	<u>\$ 1,485,180</u>

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

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Vasculitis Foundation (the "Foundation") is the international advocacy group for people with vasculitis. Through its awareness, education, advocacy, research and fellowship programs, the Foundation supports and advances the cause of patients and their families to improve lives. The Foundation 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 major additions of property, equipment, and website design which are deemed 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 positions 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 2019. 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. Balances held at banks were insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Foundation had \$542,487 in balances in excess of FDIC insured limits. Additionally, the Foundation had \$719,157 at June 30, 2023 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.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 30, 2023, 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, 2023

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, 2023

- 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.
- Charles Schwab investments are based on quoted prices in an active market and are classified within Level 1 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, 2023:

	<u>Assets at Fair Value as of June 30, 2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market pool	\$ 435,456	\$ -	\$ 435,456	\$ -
Fixed income pool	311,409	-	311,409	-
Equity pool	110,485	-	110,485	-
Cash and MM funds	708,885	708,885	-	-
Equity/ETF	919,235	919,235	-	-
Fixed income/ETF	485,278	485,278	-	-
	<u>\$2,970,748</u>	<u>\$2,113,398</u>	<u>\$ 857,350</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	<u>2023</u>
Furniture and equipment	\$ 15,607
Website costs	<u>56,458</u>
	72,065
Accumulated depreciation and amortization	<u>(63,948)</u>
	<u>\$ 8,117</u>

Depreciation expense was \$4,390 for the year ended June 30, 2023.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE D – Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2023:

Research grants	\$ 264,241
Peckerman Fellowship Fund	142,373
Fellowship grants	200,907
Dr. James Liao CSS Fund – Research	<u>100,000</u>
Total Research and Fellowship	<u>\$ 707,521</u>
Regional conferences	438,099
ACR/VF Vasculitis Treatment Guidelines	9,379
Website	28,061
VAM/Patient Heroes	76,149
Patient Education	1,576,864
Dr. James Liao CSS Fund – Awareness	100,000
Public Policy Awareness	65,440
Victory over Vasculitis	<u>94,691</u>
Total Patient Education and Support	<u>\$ 2,388,683</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,096,204</u>

NOTE E – BOARD DESIGNATED ENDOWMENT FUNDS

During the current year, the Foundation established two endowments for the long-term benefit of the organization.

The first endowment was funded with a \$1 million gift to support educational programs, resources and training for vasculitis patients, and medical professionals. The annual spending rate is to be established annually by the Foundation's Board of Directors. There are certain caps on the spend rate established by the donor if the fair market value of the endowment falls below \$900,000. The endowment will cease on December 13, 2055, after which the balance will be spent down in subsequent years.

Changes in the donor restricted endowment's net assets for the year ending June 30, 2023:

Balance as of June 30, 2022	\$ -
Contributions	1,000,000
Expenditures	-
Investment Return	36,224
Investment Fees	<u>(2,512)</u>
Balance as of June 30, 2023	<u>\$1,033,712</u>

VASCULITIS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE E – BOARD DESIGNATED ENDOWMENT FUNDS –(Continued)

The second endowment was established by the Board utilizing an existing reserve fund and accumulated net assets without donor restrictions. It is the intent of the Board to add to this endowment from any operating surpluses and unrestricted bequests received by the Foundation. The Board plans to appropriate up to 4% annually from the endowment as needed to support the organization’s operating budget.

Changes in the unrestricted endowment’s net assets for the year ending June 30,2023:

Balance as of June 30, 2022	\$ 274,635
Funds Designed by the Board	714,703
Additions (Bequests)	44,362
Expenditures	-
Investment Return	48,462
Investment Fees	<u>(2,477)</u>
 Balance as of June 30, 2023	 <u><u>\$1,079,685</u></u>

The investment objective of both endowments is that future growth of the portfolios is sufficient to offset normal inflation plus reasonable spending, hereby preserving the constant dollar value and purchasing power of the endowment funds with a prudent level of risk. The assets are managed on a total return basis. The Board of Directors has adopted a long-term asset allocation policy with a target split of 65% equities and 35% fixed income.

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 statement of financial position.

A significant portion (10% or greater) of the Foundation’s fiscal 2023 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. At June 30, 2023 deferred revenues were \$45,100.

VASCULITIS FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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 endowment 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. While the Board does not intend to use beyond a spend rate, which is approved by the Board, it could be made available for expenditure, if necessary, based on board approval.

Financial assets, at year-end:

	<u>2023</u>
Cash and cash equivalents	\$1,485,180
Investments	2,970,748
Receivables	<u>25,000</u>
Total financial assets, at year-end	<u>\$ 4,480,928</u>
Financial assets unavailable for general Expenditures:	
Accounts payable	3,455
Accrued liabilities	79,307
Board designated endowment	1,079,685
Amounts restricted by donor	<u>3,096,204</u>
	<u>4,258,651</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 222,277</u>

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE I – RETIREMENT PLAN

The Foundation established a defined contribution retirement plan beginning in fiscal year 2022-2023. Employees are eligible to participate after six months of service. At the Board's discretion, the Foundation contributes a percent of eligible employees' gross salary. In the current year, the Foundation made contributions totaling \$13,627.