VASCULITIS FOUNDATION

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 statement of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013, 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.

Novak Birks, PC
August 22, 2014

VASCULITIS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 33,201	$ 21,780
Funds held by Northland Community Foundation	1,143,434	1,149,932
Grants receivable	31,256	-
Prepaid expenses	5,460	6,250
Deposits	0	500
Furniture and equipment, less accumulated depreciation	1,203.00	-
Total Assets	$ 1,214,554	$ 1,178,462
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 4,510	$ 1,211
Accrued liabilities	29,785	22,124
Deferred revenue	635	43,630
Total Liabilities	34,930	66,965
Net Assets		
Unrestricted - Board designated - endowment	155,182	116,033
Total Unrestricted Net Assets	155,182	116,033
Temporarily restricted net assets	1,024,442	995,464
Total Net Assets	1,179,624	1,111,497
Total Liabilities and Net Assets	$ 1,214,554	$ 1,178,462

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

VASCULITIS FOUNDATION
STATEMENT OF ACTIVITIES
For The Years Ended June 30, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Revenues and Other Support:		
General donations	$ 284,530	$ 211,421
Dues	47,624	46,624
Memorials	34,882	21,195
In-kind contributions	10,374	10,425
Honors	30,568	10,955
Other	3,457	1,889
Symposium revenue	64,251	5,953
Interest and dividends	4,008	3,424
Unrealized gain (loss)	(7,819)	11,687
Realized gain (loss)	30,103	3,159
	501,978	326,732
Net Assets released from restrictions	358,614	301,997
	860,592	628,729
Expenses:		
Patient support, awareness, and research	713,377	498,523
Administrative	84,465	139,375
Fundraising	23,601	36,749
Total Expenses	821,443	674,647
Change in Unrestricted Net Assets	39,149	(45,918)
TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Restricted donations	335,666	339,815
Interest and dividends	12,630	13,436
Unrealized gain (loss)	(6,227)	5,571
Realized gain (loss)	45,523	12,284
Net asset released from restrictions	(358,614)	(301,997)
Change in Temporarily Restrictred Net Assets	28,978	69,109
Change in Net Assets	68,127	23,191
Net Assets, beginning of year	1,111,497	1,088,306
Net Assets, end of year	$ 1,179,624	$ 1,111,497

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

VASCULITIS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014				2013			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	$ 174,116	$ 36,138	$ 9,118	$ 219,372	$ 118,609	$ 91,525	$ 13,107	$ 223,241
Grants paid	183,792	-	-	183,792	179,935	-	-	179,935
Salaries and Wages	78,947	29,814	-	108,761	71,403	31,391	-	102,794
Newsletter	36,356	-	-	36,356	37,307	-	-	37,307
Symposium and conferences	167,061	-	-	167,061	37,225	-	-	37,225
Member information	37,653	-	-	37,653	27,064	-	31	27,095
Event costs	7,687	-	14,483	22,170	-	-	21,141	21,141
Payroll taxes and benefits	11,152	5,541	-	16,693	11,206	6,869	1,885	19,960
In-kind expenses	4,962	4,963	-	9,925	5,109	4,729	585	10,423
Board expenses	7,910	7,910	-	15,820	3,989	3,989	-	7,978
Medical Conferences	2,844	-	-	2,844	3,459	-	-	3,459
Depreciation	297	99	-	396	2,617	872	-	3,489
Memberships	600	-	-	600	600	-	-	600
TOTAL EXPENSES	$ 713,377	$ 84,465	$ 23,601	$ 821,443	$ 498,523	$ 139,375	$ 36,749	$ 674,647

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

VASCULITIS FOUNDATION
STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	$ 68,127	$ 23,191
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	396	3,489
Realized (gain) loss on investments	(75,626)	(15,443)
Unrealized (gain) loss on Investments	14,046	(17,258)
(Increase) decrease in:		
Grants receivable	(31,256)	-
Prepaid expenses	790	(50)
Deposits	500	-
Increase (decrease) in:		
Accounts payable	3,299	(2,615)
Accured liabilities	7,662	(2,982)
Deferred revenue	(42,995)	43,630
Net Cash Provided by Operating Activities	(55,057)	31,962
Cash Flows From Investing Activities:		
Purchases of furniture and equipment	(1,600)	-
Transfers from Northland Community Foundation	100,103	105,871
Transfers to Northland Community Foundation	(32,025)	(191,113)
Net Cash From (Used In) Investing Activities	66,478	(85,242)
Net Change In Cash	11,421	(53,280)
Cash, beginning of year	21,780	75,060
Cash, end of year	$ 33,201	$ 21,780

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

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 $10,374 and $9,814 of in-kind contributions for research and travel expenses for the years ended June 30, 2014 and 2013., respectively. Additionally, the Foundation had $0 and $611 in general in-kind contributions for the year ended June 30, 2014 and 2013., 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 2011. 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, 2014 and 2013 was $2,955 and $3,340, respectively, held in money market funds at an investment company that were not insured by the Federal Deposit Insurance Corporation.

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 September XX, 2014, 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).

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, 2014 and 2013.

- 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, 2014 and 2013.

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
Funds held by Northland Community Foundation:				
Money market pool	$ 379,143	$ -	$ 379,143	$ -
Fixed income pool	491,324	-	491,324	-
Equity pool	272,967	-	272,967	-
	$1,143,434	$ -	$ 1,143,434	$ -

	Assets at Fair Value as of June 30, 2013			
	Total	Level 1	Level 2	Level 3
Funds held by Northland Community Foundation:				
Money market pool	$ 458,275	$ -	$ 458,275	$ -
Fixed income pool	450,613	-	450,613	-
Equity pool	241,044	-	241,044	-
	$1,149,932	$ -	$ 1,149,932	$ -

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consists of:

	2014	2013
Furniture and equipment	$ 6,380	$ 17,714
Website costs	49,147	49,147
	55,527	66,861
Accumulated depreciation	(54,324)	(66,861)
	$ 1,203	$ -

Depreciation expense for the years ended June 30, 2014 and 2013 is $396 and $3,489.

NOTE D – Leases

The Foundation leased office space under an operating lease which expired in October 2013. Office rent expense was $18,769 for the year ended June 30, 2014. As of November 1, 2013, the Foundation closed their main office location in Kansas City, Missouri. As of this date, the Executive Director and all of the Foundation's employees began maintaining offices in their homes.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Research	$ 930,097	$ 897,126
Symposium	-	1,640
Patient education and support	94,345	96,698
	$1,024,442	$ 995,464

NOTE F – 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 $155,182 and $116,033 at June 30, 2014 and 2013, 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, 2012	$147,586
Funds released from restrictions	(48,327)
Expenditures and fees	(1,172)
Investment income	3,326
Gain on investments	14,620
Balance at June 30, 2013	$116,033
Additions	14,583
Expenditures and fees	(1,327)
Investment income	3,915
Gain on investments	21,978
Balance at June 30, 2014	$155,182

NOTE G – 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.

NOTE H – 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 $635 and $43,630, respectively, at June 30, 2014 and 2013.