

VASCULITIS FOUNDATION
FINANCIAL STATEMENTS
June 30, 2013 and 2012

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, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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, 2013, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Vasculitis Foundation as of June 30, 2012 were audited by other auditors whose report dated November 27, 2012, expressed an unqualified opinion on those financial statements.

Novak Birks, PC

Novak Birks p.c.

September 25, 2013

VASCULITIS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
Cash and cash equivalents	\$ 21,780	\$ 75,060
Funds held by Northland Community Foundation	1,149,932	1,031,989
Prepaid expenses	6,250	6,200
Deposits	500	500
Furniture and equipment, less accumulated depreciation	-	3,489
Total Assets	\$ 1,178,462	\$ 1,117,238

LIABILITIES AND FUND BALANCES

Liabilities:		
Accounts payable	\$ 1,211	\$ 3,826
Accrued liabilities	22,124	25,106
Deferred revenue	43,630	-
Total Liabilities	66,965	28,932
Net Assets		
Unrestricted	-	14,365
Unrestricted - Board designated - endowment	116,033	147,586
Total Unrestricted Net Assets	116,033	161,951
Temporarily restricted net assets	995,464	926,355
Total Net Assets	1,111,497	1,088,306
Total Liabilities and Net Assets	\$ 1,178,462	\$ 1,117,238

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

VASCULITIS FOUNDATION
STATEMENT OF ACTIVITIES
For The Years Ended June 30, 2013 and 2012

	2013	2012
<u>UNRESTRICTED NET ASSETS</u>		
Revenues and Other Support:		
General donations	\$ 211,421	\$ 320,656
Dues	46,624	55,256
Memorials	21,195	88,564
In-kind contributions	10,425	21,506
Honors	10,955	17,454
Other	1,889	3,786
Symposium revenue	5,953	16,602
Interest and dividends	3,424	3,535
Unrealized gain (loss)	11,687	(476)
Realized gain (loss)	3,159	(1,842)
	326,732	525,041
Net Assets released from restrictions	301,997	281,065
	628,729	806,106
Expenses:		
Patient support, awareness, and research	498,523	509,031
Administrative	139,375	76,885
Fundraising	36,749	94,050
Total Expenses	674,647	679,966
Change in Unrestricted Net Assets	(45,918)	126,140
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Revenues		
Restricted donations	339,815	304,217
Interest and dividends	13,436	12,588
Unrealized gain (loss)	5,571	4,594
Realized gain (loss)	12,284	(1,112)
Net asset released from restrictions	(301,997)	(281,065)
Change in Temporarily Restricted Net Assets	69,109	39,222
Change in Net Assets	23,191	165,362
Net Assets, beginning of year	1,088,306	922,944
Net Assets, end of year	\$ 1,111,497	\$ 1,088,306

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

VASCULITIS FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2013 and 2012

	2013				2012			
	Patient Support, Awareness, and Research	Administrative	Fundraising	Total	Patient Support, Awareness, and Research	Administrative	Fundraising	Total
Supporting Services	\$ 118,609	\$ 91,525	\$ 13,107	\$ 223,241	\$ 124,376	\$ 19,738	\$ 47,136	\$ 191,250
Grants paid	179,935	-	-	179,935	149,937	-	-	149,937
Salaries and Wages	71,403	31,391	-	102,794	79,354	33,042	-	112,396
Newsletter	37,307	-	-	37,307	37,944	-	-	37,944
Symposium and conferences	37,225	-	-	37,225	22,064	-	-	22,064
Member information	27,064	-	31	27,095	33,421	-	-	33,421
Event costs	-	-	21,141	21,141	-	-	39,846	39,846
Payroll taxes and benefits	11,206	6,869	1,885	19,960	12,446	7,592	2,077	22,115
In-kind expenses	5,109	4,729	585	10,423	7,631	4,832	4,991	17,454
Board expenses	3,989	3,989	-	7,978	6,860	8,191	-	15,051
Medical Conferences	3,459	-	-	3,459	23,929	-	-	23,929
Depreciation	2,617	872	-	3,489	10,469	3,490	-	13,959
Memberships	600	-	-	600	600	-	-	600
TOTAL EXPENSES	\$ 498,523	\$ 139,375	\$ 36,749	\$ 674,647	\$ 509,031	\$ 76,885	\$ 94,050	\$ 679,966

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

VASCULITIS FOUNDATION
STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ 23,191	\$ 165,362
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	3,489	13,959
Realized (gain) loss on investments	(15,443)	2,954
Unrealized (gain) loss on Investments	(17,258)	(4,118)
(Increase) decrease in:		
Prepaid expenses	(50)	(6,200)
Increase (decrease) in:		
Accounts payable	(2,615)	2,095
Accrued liabilities	(2,982)	713
Deferred revenue	43,630	-
Net Cash Provided by Operating Activities	31,962	174,765
 Cash Flows From Investing Activities:		
Transfers from Northland Community Foundation	105,871	138,989
Transfers to Northland Community Foundation	(191,113)	(314,327)
Net Cash From (Used In) Investing Activities	(85,242)	(175,338)
 Net Change In Cash	(53,280)	(573)
 Cash, beginning of year	75,060	75,633
 Cash, end of year	\$ 21,780	\$ 75,060

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

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 \$9,814 and \$16,110 of in-kind contributions for research and travel expenses for the years ended June 30, 2013 and 2012, respectively. Additionally, the Foundation had \$611 and \$5,396 in general in-kind contributions for the years ended June 30, 2013 and 2012, 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 2010. 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, 2013 and 2012 was \$2,955 and \$38,403, respectively, held in money market funds that were not insured by the Federal Deposit Insurance Corporation.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.

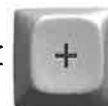
Awards are provided up to \$50,000 for a one-year study and up to \$100,000 for a two-year study. Smaller awards are also allowed. Suitable applicants are medical researchers in areas such as, but not limited to, rheumatology, immunology, nephrology, otolaryngology, pulmonary and respiratory diseases, 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 25, 2013, 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, 2013 and 2012

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. <p>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.</p> |
| 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, 2013 and 2012.

- 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, 2013 and 2012.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE B – FAIR VALUE MEASUREMENTS (Continued)

	<i>Assets at Fair Value as of June 30, 2013</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	\$ 458,275	\$ -	\$ 458,275	\$ -
Fixed income pool	450,613	-	450,613	-
Equity pool	<u>241,044</u>	<u>-</u>	<u>241,044</u>	<u>-</u>
	<u>\$1,149,932</u>	<u>\$ -</u>	<u>\$ 1,149,932</u>	<u>\$ -</u>

	<i>Assets at Fair Value as of June 30, 2012</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	\$ 483,817	\$ -	\$ 483,817	\$ -
Fixed income pool	347,126	-	347,126	-
Equity pool	<u>201,046</u>	<u>-</u>	<u>201,046</u>	<u>-</u>
	<u>\$1,031,989</u>	<u>\$ -</u>	<u>\$ 1,031,989</u>	<u>\$ -</u>

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consists of:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 17,714	\$ 17,714
Website costs	<u>49,147</u>	<u>49,147</u>
	66,861	66,861
Accumulated depreciation	<u>(66,861)</u>	<u>(63,372)</u>
	<u>\$ -</u>	<u>\$ 3,489</u>

Depreciation expense for the years ended June 30, 2013 and 2012 is \$3,489 and \$13,959.

NOTE D – Leases

The Foundation leases office space under an operating lease that expires in October 2013. Office rent expense was \$18,769 and \$17,192 for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments under this lease total \$4,800 at June 30, 2013.

VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Research	\$ 897,126	\$ 834,032
Symposium	1,640	-
Patient education and support	<u>96,698</u>	<u>92,323</u>
	<u>\$ 995,464</u>	<u>\$ 926,355</u>

NOTE F – BOARD DESIGNATED ENDOWMENT FUNDS

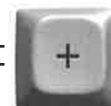
The Foundation has set aside certain funds that it has board-designated to be treated similarly to an endowment. Such funds are to generate a long-term, total rate of return that will increase the value of the assets. The Foundation's endowment assets, which are held in various investment pools at the Northland Community Foundation, totaled \$116,033 and \$147,586 at June 30, 2013 and 2012, 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 July 1, 2011	\$147,396
Contributions	300
Expenditures and fees	(1,141)
Investment income	3,350
Loss on investments	<u>(2,319)</u>
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	<u>14,620</u>
Balance at June 30, 2013	<u>\$116,033</u>

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.



VASCULITIS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.