

**NATIONAL ALOPECIA AREATA FOUNDATION**

**SAN RAFAEL, CALIFORNIA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Alopecia Areata Foundation  
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of National Alopecia Areata Foundation, which comprise the statement of financial position as of December 31, 2014, 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 organization'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 organization'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Alopecia Areata Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited National Alopecia Areata Foundation's 2013 financial statements, and our report dated March 11, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
April 30, 2015

National Alopecia Areata Foundation  
STATEMENTS OF FINANCIAL POSITION  
 December 31, 2014  
 (With Comparative Totals for December 31, 2013)

	2014	2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 890,098	\$ 931,280
Investments	3,389,891	3,234,113
Accounts receivable	81,101	26,981
Prepaid expenses and other current assets	21,580	119,021
Total current assets	4,382,670	4,311,395
Fixed assets, net of accumulated depreciation	16,034	8,124
Total assets	\$ 4,398,704	\$ 4,319,519
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 236,036	\$ 2,534
Accrued vacation payable	22,975	21,957
Deferred revenue	7,950	-
Total current liabilities	266,961	24,491
Net assets - Exhibit A:		
Unrestricted	1,508,335	1,082,699
Temporarily restricted	2,623,408	3,212,329
Total net assets	4,131,743	4,295,028
Total liabilities and net assets	\$ 4,398,704	\$ 4,319,519

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

## National Alopecia Areata Foundation

Exhibit ASTATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Operating revenues:				
Contributions	\$ 999,792	\$ 40,838	\$ 1,040,630	\$ 722,035
Grants and sponsorships	72,138	264,205	336,343	219,283
Awareness and fundraising events, net	346,678	1,500	348,178	162,656
Newsletter, brochures, marketplace	16,618	-	16,618	38,978
Conference	109,390	-	109,390	213,311
Interest and dividends	119,296	-	119,296	86,749
Net realized and unrealized gains on investments	115,818	-	115,818	282,010
Other income	674	-	674	-
Net assets released from restrictions	895,464	(895,464)	-	-
Total operating revenues	<u>2,675,868</u>	<u>(588,921)</u>	<u>2,086,947</u>	<u>1,725,022</u>
Operating expenses:				
Program services:				
Support and education	1,012,057	-	1,012,057	967,037
Treatment development	855,422	-	855,422	789,347
Supportive services:				
Fundraising	145,761	-	145,761	141,696
Administration	153,897	-	153,897	114,653
Total operating expenses	<u>2,167,137</u>	<u>-</u>	<u>2,167,137</u>	<u>2,012,733</u>
Change in net assets from operations	<u>508,731</u>	<u>(588,921)</u>	<u>(80,190)</u>	<u>(287,711)</u>
Nonoperating revenues (expenses):				
Treatment Development Fund	-	-	-	930,000
Key person life insurance	(83,095)	-	(83,095)	-
Total nonoperating revenues (expenses)	<u>(83,095)</u>	<u>-</u>	<u>(83,095)</u>	<u>930,000</u>
Change in net assets	425,636	(588,921)	(163,285)	642,289
Net assets, beginning of period	<u>1,082,699</u>	<u>3,212,329</u>	<u>4,295,028</u>	<u>3,652,739</u>
Net assets, end of period	<u>\$ 1,508,335</u>	<u>\$ 2,623,408</u>	<u>\$ 4,131,743</u>	<u>\$ 4,295,028</u>

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

National Alopecia Areata Foundation  
STATEMENTS OF FUNCTIONAL EXPENSES

Exhibit B

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

	Program Services			Supportive Services		Total 2014	Total 2013
	Support and Education	Awareness and Advocacy	Treatment Development	Fundraising	Admini- stration		
Expenses:							
Grants	\$ -	\$ -	\$ 307,538	\$ -	\$ -	\$ 307,538	\$ 309,399
Scholarships	12,115	-	-	-	-	12,115	14,270
Salaries	250,304	103,723	171,560	50,768	48,561	624,916	575,120
Payroll taxes	20,997	8,505	14,118	4,325	4,448	52,393	47,460
Medical benefits	33,035	14,109	6,674	4,620	4,523	62,961	60,757
Retirement benefits	31,037	12,030	18,247	5,346	6,135	72,795	68,333
Workers compensation benefits	2,016	751	1,714	403	411	5,295	4,118
Legal fees	-	-	-	-	1,063	1,063	3,750
Accounting and tax preparation	-	-	-	-	32,401	32,401	17,631
Audit fees	-	-	-	-	5,300	5,300	5,300
Website and software maintenance	18,624	3,089	17,335	2,191	1,138	42,377	32,044
Other professional fees	90,625	25,718	130,475	11,550	15,802	274,170	298,768
Payroll processing fees	-	-	-	-	5,450	5,450	5,809
Rent	14,860	5,399	21,549	3,249	2,723	47,780	63,401
Insurance	1,983	721	2,876	484	363	6,427	8,880
Supplies	15,953	1,148	5,076	1,538	1,142	24,857	14,533
Expendable equipment	8,990	2,555	10,196	1,537	1,289	24,567	-
Telephone and internet	4,473	2,119	4,722	635	621	12,570	7,844
Postage and shipping	47,102	14,982	10,301	16,060	2,640	91,085	99,085
Printing and publications	37,443	17,426	7,369	27,906	69	90,213	121,107
Equipment repair, maintenance & leasing	13,856	642	2,561	386	323	17,768	14,677
Travel	31,787	12,808	52,948	5,208	4,660	107,411	52,746
Conventions and meetings	74,291	712	30,324	441	18	105,786	87,051
Audio and visual	19,146	-	33,133	-	-	52,279	19,671
Other taxes, licenses and fees	1,309	846	1,858	3,161	2,669	9,843	18,355
Dues and subscriptions	3,630	1,541	2,996	205	1,188	9,560	10,113
Bank charges and investment fees	2,987	44	176	5,495	9,998	18,700	14,144
Depreciation	1,155	420	1,676	253	212	3,716	3,002
Constituent assistance	45,051	-	-	-	-	45,051	35,365
Other expenses	-	-	-	-	750	750	-
Total expenses	<u>\$ 782,769</u>	<u>\$ 229,288</u>	<u>\$ 855,422</u>	<u>\$ 145,761</u>	<u>\$ 153,897</u>	<u>\$ 2,167,137</u>	<u>\$ 2,012,733</u>

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

## National Alopecia Areata Foundation

Exhibit CSTATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (163,285)	\$ 642,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,716	3,002
Net realized and unrealized gains on investments	(115,818)	(282,010)
Donation of investments	(1,532)	-
Changes in certain assets and liabilities:		
Accounts receivable	(54,120)	(25,085)
Prepaid expenses and other current assets	97,441	(15,504)
Accounts payable	233,502	(6,521)
Accrued vacation payable	1,018	5,384
Deferred revenue	7,950	-
Net cash provided (used) by operating activities	<u>8,872</u>	<u>321,555</u>
Cash flows from investing activities:		
Purchase of investments	(101,969)	(755,195)
Sale of investments	63,541	233,300
Acquisition of fixed assets	<u>(11,626)</u>	<u>(2,972)</u>
Net cash provided (used) by investing activities	<u>(50,054)</u>	<u>(524,867)</u>
Net increase (decrease) in cash during the period	(41,182)	(203,312)
Cash balance, beginning of period	<u>931,280</u>	<u>1,134,592</u>
Cash balance, end of period	<u>\$ 890,098</u>	<u>\$ 931,280</u>
Supplemental disclosures of cash flow information:		
Noncash activities:		
Disposition of fixed assets	<u>\$ -</u>	<u>\$ 156,818</u>

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

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014

NOTE 1 - GENERAL

The National Alopecia Areata Foundation (the Organization) was incorporated in 1981 as a non-profit public benefit corporation under the laws of the State of California as the world center for Alopecia Areata. The Organization is raising public consciousness of the disease, providing support and resources for those with the condition, and encouraging and funding medical research for better treatment and an ultimate cure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of the period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by the Organization in the course of its operations.

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Allocation of Expenses

Directly identifiable expenses are charged directly to program services and supportive services. Expenses related to more than one function are charged to program services and supportive services on the basis of periodic time and expense studies. Management and general expenses include those expenses that provide for the overall support and direction of the Organization.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments such as certificates of deposit with a maturity of twelve months or less.

G. Investments

Investments are recorded at fair market value.

H. Accounts Receivable

The Organization has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable that all receivables will be collected.

I. Fixed Assets

Acquisitions of property and equipment in excess of \$3,500 are capitalized. Property and equipment are stated at cost and are depreciated over their estimated useful lives using the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

J. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

K. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

L. Concentrations of Risk

The Organization maintains a portfolio of financial instruments which potentially expose the Organization to concentrations of investment risk. To limit the amount of risk exposure the Organization diversifies its portfolio by asset class and by depository. Subject to market fluctuations, management does not consider this risk a particular concern at this time.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2015, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors and grantors may obtain tax benefits. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of December 31 were as follows:

	2014	2013
Westamerica Bank	\$ 218,284	\$ 104,884
Morgan Stanley	670,494	11,035
Merrill Lynch	-	4,963
Charles Schwab	1,320	810,398
Total	<u>\$ 890,098</u>	<u>\$ 931,280</u>

Cash on deposit with Westamerica Bank in the amount of \$218,284 was fully insured by the Federal Deposit Insurance Corporation (FDIC). Cash on deposit with Charles Schwab in the amount of \$1,320 was fully insured by the FDIC. Cash on deposit with Morgan Stanley in the amount of \$670,494 was fully insured by the FDIC and other insurance provided by Morgan Stanley.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 5 - INVESTMENTS

As indicated in note 2L, the Organization maintains a diversified portfolio of financial instruments. In addition, the Organization frequently receives donations in the form of marketable securities. Donated marketable securities are sold within a short period after receipt. Investments are recorded at current market value on the statement of financial position.

	Merrill Lynch/ Vanguard Group	Charles Schwab	Morgan Stanley	Total
Account balances as of 12/31/13	\$ 658,202	\$ 2,575,911	\$ -	\$ 3,234,113
Transfers	(692,552)	(2,639,383)	3,331,935	-
Purchase of investments/reinvested dividends	3,849	65,613	32,507	101,969
Sale of investments	-	(60,350)	(1,659)	(62,009)
Realized & unrealized gains and losses	<u>30,501</u>	<u>76,229</u>	<u>9,088</u>	<u>115,818</u>
Account balances as of 12/31/14	<u>\$ -</u>	<u>\$ 18,020</u>	<u>\$ 3,371,871</u>	<u>\$ 3,389,891</u>

The investments on deposit with Charles Schwab are equity and bond funds. The investments on deposit with Morgan Stanley are U.S. Treasury Inflation-Protected Bonds, mutual fund shares in the Vanguard 500 Index Fund, the Vanguard Small Cap Index Fund, and the Vanguard Short Term Corporate Bond Fund.

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

As of December 31, 2014, the investments balance of \$3,389,891 was all classified to be Level 1.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2014

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FSP FAS 157-4 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for December 31, 2014 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Stocks, ETFs & CEFs	\$ 490,539	\$ 490,539	\$ -	\$ -
U.S. Treasury Securities	180,623	180,623	-	-
Mutual Funds/Equity Funds	<u>2,718,729</u>	<u>2,718,729</u>	-	-
Total	<u>\$ 3,389,891</u>	<u>\$ 3,389,891</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31, 2014 were as follows:

	Years	Balance 12/31/13	Additions	Deletions	Balance 12/31/14
Furniture/equipment	5	\$ 16,498	<u>\$ 11,626</u>	<u>\$ -</u>	\$ 28,124
Less accumulated depreciation		<u>(8,374)</u>			<u>(12,090)</u>
Fixed assets, net		<u>\$ 8,124</u>			<u>\$ 16,034</u>

Depreciation expense was \$3,716 and \$3,002 for the years ended December 31, 2014 and December 31, 2013, respectively.

NOTE 8 - ACCRUED VACATION PAYABLE

The Organization's employees earn between ten to eighteen days vacation leave per year up to a maximum of 144 hours. At the end of the year, employees are paid for all vacation leave over 144 hours. Sick leave is earned at a rate of one day per month up to a maximum of 160 hours. Upon termination, the Organization is obligated to compensate employees for all earned and unused vacation time only. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$22,975 and \$21,957 as of December 31, 2014, and December 31, 2013, respectively.

NOTE 9 - AWARENESS AND FUNDRAISING EVENTS, NET

Awareness and fundraising events, net during the years ended December 31 were as follows:

	2014	2013
Awareness and fundraising events income	\$ 396,164	\$ 210,154
Related expenses	<u>(49,486)</u>	<u>(47,498)</u>
Awareness and fundraising events, net	<u>\$ 346,678</u>	<u>\$ 162,656</u>

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2014

NOTE 10 - DEFINED CONTRIBUTION RETIREMENT PLAN

In September 2012, the Board of Directors amended the defined contribution retirement plan established in 2001 for its employees. The plan was changed from an IRC 403(b) plan to an IRC 401(k) plan. Employees need to work one full year before they qualify for the plan. The Organization contributes 15% of the employee's salary to the plan which is fully vested immediately. Total employer's contribution to this plan during the years ended December 31, 2014 and December 31, 2013 was \$72,795 and \$68,333, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 were available for the following purposes:

	2014	2013
Research Summit	\$ 20,000	\$ 11,347
Newsletter	-	9,750
Hoel Ascot Fund	-	12,490
Awareness	-	1,758
Mordecai Foundation	-	83,334
Conference	-	12,650
Treatment Development Fund	<u>2,603,408</u>	<u>3,081,000</u>
Total	<u>\$ 2,623,408</u>	<u>\$ 3,212,329</u>

NOTE 12 - EXTRAORDINARY BEQUEST

The Organization was named as the residuary beneficiary of the Marie Ann Riebe Trust dated May 26, 1987. The grantor of the Trust died on January 31, 2011. Successor trustees were appointed and the trust administration commenced on March 27, 2012. The Organization has received total distributions of \$3,680,000 through December 31, 2013 (\$2,750,000 in 2012 and \$930,000 in 2013). The distributions are restricted for research and have been designated as non operating revenue in the statement of activities because of their unusual and extraordinary nature. The proceeds received have been invested in bonds and equities held at Morgan Stanley.

NOTE 13 - RESEARCH GRANTS COMMITMENTS

The Organization has entered into various contracts with individuals and organizations to perform research projects. Research grants commitments as of December 31 were as follows:

	2014	2013
University of Texas M.D. Anderson Cancer Center	\$ 37,500	\$ 175,000
University of Munster	25,000	75,000
9 <sup>th</sup> World Congress of Hair Research	-	2,500
Columbia University	<u>130,000</u>	<u>-</u>
Total	<u>\$ 192,500</u>	<u>\$ 252,500</u>

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 14 - LEASE COMMITMENT

The Organization has entered into an operating lease to rent the facility at 65 Mitchell Blvd, San Rafael, CA 94903 pursuant to a lease agreement entered in September 2014. The lease expires in November 2019. The rent expense shall be \$4,932 per month and the security deposit not applicable towards last month's rent is \$5,465. Future lease payments under this agreement are as follows:

Year ending December 31, 2015	\$	59,319
Year ending December 31, 2016		60,918
Year ending December 31, 2017		62,518
Year ending December 31, 2018		64,117
Year ending December 31, 2019		<u>60,118</u>
Total	\$	<u>306,990</u>

NOTE 15 - COMMITMENTS

In November 2011, the Organization entered into a group sales agreement with Hyatt Regency, Orange County, CA to hold the 2015 Annual Conference in June 2015. The agreement has a cancellation option whereby the canceling party must provide payment to the non-canceling party in the amount of \$117,354 plus applicable taxes if the cancellation option is exercised within 179 days or less from the start of the official event dates.

NOTE 16 - RECLASSIFICATIONS

Certain amounts in the December 31, 2013 financial statements, specifically the revenue and expense categories in the statement of activities and statement of functional expenses, have been reclassified to conform with the December 31, 2014 presentation. These reclassifications have no effect on the change in net assets as previously reported.