

NATIONAL ALOPECIA AREATA FOUNDATION

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 opinions 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2B, National Alopecia Areata Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the Accounting Standards Update has been applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited National Alopecia Areata Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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
March 18, 2019

National Alopecia Areata Foundation
STATEMENTS OF FINANCIAL POSITION
December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 873,901	\$ 1,144,011
Investments	1,631,210	1,826,917
Accounts receivable	261,100	423,383
Prepaid expenses and other current assets	32,050	15,765
Total current assets	2,798,261	3,410,076
Non-current assets:		
Fixed assets, net of accumulated depreciation	1,355	3,978
Total non-current assets	1,355	3,978
Total assets	\$ 2,799,616	\$ 3,414,054
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 110,011	\$ 185,354
Accrued vacation payable	36,751	34,962
Deferred revenue	2,400	2,400
Total current liabilities	149,162	222,716
Net assets:		
Net assets without donor restrictions	1,956,159	2,190,290
Net assets with donor restrictions	694,295	1,001,048
Total net assets	2,650,454	3,191,338
Total liabilities and net assets	\$ 2,799,616	\$ 3,414,054

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

National Alopecia Areata Foundation
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restricted	Total 2018	Total 2017
Operating revenues:				
Contributions	\$ 645,453	\$ 220,311	\$ 865,764	\$ 860,515
Grants and sponsorships	454,250	15,000	469,250	659,487
TDP services	176,535	-	176,535	70,682
Fundraising events	424,636	-	424,636	206,418
Conference registration fees	153,090	-	153,090	106,212
Publications and community services	21,440	-	21,440	29,417
Net assets released from restrictions	542,064	(542,064)	-	-
Total operating revenues	<u>2,417,468</u>	<u>(306,753)</u>	<u>2,110,715</u>	<u>1,932,731</u>
Operating expenses:				
Program services:				
Support and education	1,046,710	-	1,046,710	895,591
Awareness and advocacy	277,957	-	277,957	273,171
Treatment development	765,242	-	765,242	981,388
Subtotal program services	<u>2,089,909</u>	<u>-</u>	<u>2,089,909</u>	<u>2,150,150</u>
Supportive services:				
Fundraising	315,884	-	315,884	274,486
Administration	157,896	-	157,896	164,521
Subtotal supportive services	<u>473,780</u>	<u>-</u>	<u>473,780</u>	<u>439,007</u>
Total operating expenses	<u>2,563,689</u>	<u>-</u>	<u>2,563,689</u>	<u>2,589,157</u>
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	114,380	-	114,380	88,485
Realized gains/(losses) on investments	(910)	-	(910)	67,544
Unrealized gains/(losses) on investments	(201,380)	-	(201,380)	165,240
Subtotal investment return, net	<u>(87,910)</u>	<u>-</u>	<u>(87,910)</u>	<u>321,269</u>
Total non-operating revenues and (expenses)	<u>(87,910)</u>	<u>-</u>	<u>(87,910)</u>	<u>321,269</u>
Change in net assets	(234,131)	(306,753)	(540,884)	(335,157)
Net assets, beginning of period	<u>2,190,290</u>	<u>1,001,048</u>	<u>3,191,338</u>	<u>3,526,495</u>
Net assets, end of period	<u>\$ 1,956,159</u>	<u>\$ 694,295</u>	<u>\$ 2,650,454</u>	<u>\$ 3,191,338</u>

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

National Alopecia Areata Foundation
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program Services				Supportive Services			Total 2018	Total 2017
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal	Fundraising	Admin- istration	Subtotal		
Expenses:									
Grants	\$ -	\$ -	\$ 176,283	\$ 176,283	\$ -	\$ -	\$ -	\$ 176,283	\$ 479,423
Research program	-	-	86,703	86,703	-	-	-	86,703	101,283
Scholarships	13,210	-	-	13,210	-	-	-	13,210	14,791
Salaries	405,886	121,737	206,054	733,677	153,320	70,056	223,376	957,053	822,199
Payroll taxes	27,320	8,194	13,869	49,383	10,320	4,716	15,036	64,419	60,457
Medical benefits	42,031	12,606	21,338	75,975	15,877	7,255	23,132	99,107	90,197
Retirement benefits	52,242	15,669	26,521	94,432	19,734	9,017	28,751	123,183	113,174
Workers compensation insurance	1,758	527	892	3,177	664	304	968	4,145	3,390
Legal fees	-	-	-	-	-	1,688	1,688	1,688	2,536
Accounting and tax preparation	-	-	-	-	-	32,200	32,200	32,200	33,328
Audit fees	-	-	-	-	-	5,800	5,800	5,800	5,800
Website and software maintenance	43,311	9,162	15,825	68,298	11,661	3,332	14,993	83,291	72,420
Other professional fees	-	8,950	-	8,950	-	-	-	8,950	-
Payroll processing fees	2,937	881	1,491	5,309	1,109	506	1,615	6,924	6,034
Rent	38,961	8,242	14,236	61,439	10,490	2,996	13,486	74,925	71,141
Insurance	4,389	928	1,604	6,921	1,182	337	1,519	8,440	8,793
Supplies	10,719	792	1,521	13,032	2,304	250	2,554	15,586	13,099
Expendable equipment	-	-	-	-	-	-	-	-	7,397
Telephone and internet	5,315	2,462	2,191	9,968	1,358	644	2,002	11,970	11,639
Postage and shipping	30,564	3,264	2,377	36,205	10,158	27	10,185	46,390	43,424
Printing and publications	17,287	17,899	41,875	77,061	32,957	207	33,164	110,225	74,768
Equipment maintenance & leasing	12,842	1,284	2,218	16,344	1,634	467	2,101	18,445	23,431
Travel	32,608	17,845	61,371	111,824	1,078	536	1,614	113,438	116,479
Conventions and meetings	205,221	6,637	63,835	275,693	2,524	722	3,246	278,939	211,134
Awareness and fundraising events	-	13,130	-	13,130	13,130	-	13,130	26,260	17,239
Audio and visual	13,789	13,789	24,540	52,118	-	-	-	52,118	47,887
Other taxes, licenses and fees	-	-	-	-	-	14,317	14,317	14,317	23,778
Dues and subscriptions	-	13,671	-	13,671	-	2,413	2,413	16,084	9,071
Bank charges	-	-	-	-	26,017	-	26,017	26,017	16,597
Investment fees	-	-	-	-	-	-	-	-	8,342
Constituent assistance	84,957	-	-	84,957	-	-	-	84,957	76,480
Depreciation	1,363	288	498	2,149	367	106	473	2,622	3,426
Total expenses	<u>\$ 1,046,710</u>	<u>\$ 277,957</u>	<u>\$ 765,242</u>	<u>\$ 2,089,909</u>	<u>\$ 315,884</u>	<u>\$ 157,896</u>	<u>\$ 473,780</u>	<u>\$ 2,563,689</u>	<u>\$ 2,589,157</u>

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

National Alopecia Areata Foundation
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (540,884)	\$ (335,157)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,623	3,426
Realized (gains)/losses on investments	910	(67,544)
Unrealized (gains)/losses on investments	201,380	(165,240)
Donation of investments	(21,189)	(24,544)
Changes in certain assets and liabilities:		
Accounts receivable	162,283	22,999
Prepaid expenses and other current assets	(16,285)	6,005
Accounts payable	(75,343)	127,770
Accrued vacation payable	1,789	1,525
Deferred revenue	-	(7,395)
Net cash used for operating activities	(284,716)	(438,155)
Cash flows from investing activities:		
Purchase of investments	-	(439,731)
Sale of investments	14,606	1,540,040
Net cash provided by investing activities	14,606	1,100,309
Net increase in cash during the period	(270,110)	662,154
Cash balance, beginning of period	1,144,011	481,857
Cash balance, end of period	\$ 873,901	\$ 1,144,011

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

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 a world center for Alopecia Areata resources. 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

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. (ASC) 958-205. This statement is effective for the Organization for the fiscal year ended December 31, 2018.

Under the provisions, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

D. 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. The Organization's employees will track their time spent on each program (Support and Education, Awareness and Advocacy, Treatment Development, Fundraising or Administration) and this will determine a percentage of how much of the salaries are allocated to each specific program. The same percentage is used to allocate other expenses to each specific program. Administration expenses include those expenses that provide for the overall support and direction of the Organization.

E. 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 three months or less.

F. Investments

Investments are recorded at fair market value. Investment return is presented net of investment fees.

G. Accounts Receivable/Grants 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.

For grants receivable due over one year, the Organization has not recorded the discount to net present value because the amounts were considered immaterial.

H. 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.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fixed Assets (concluded)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions at that time.

I. 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.

J. 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.

K. 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.

L. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 18, 2019, the date the financial statements were available to be issued.

M. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with National Alopecia Areata Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

N. Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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, 2018. 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:

	<u>2018</u>	<u>2017</u>
Westamerica Bank	\$ 355,435	\$ 254,509
Charles Schwab	<u>518,466</u>	<u>889,502</u>
Total	<u>\$ 873,901</u>	<u>\$ 1,144,011</u>

Cash on deposit with Westamerica Bank was insured up to the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining balances were uninsured and held by the financial institution in the Organization's name. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time. Cash on deposit with Charles Schwab in the amount of \$518,466 was fully insured by the FDIC and other insurance provided by Charles Schwab.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

NOTE 5 - INVESTMENTS

As indicated in note 2K, 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.

	Charles Schwab
Account balances as of 12/31/17	\$ 1,826,917
Donation of investments	21,189
Sale of investments	(14,606)
Realized gains and losses	(910)
Unrealized gains and losses	(201,380)
Account balances as of 12/31/18	\$ 1,631,210
Equities	\$ 5,707
Bond Funds	822,764
Equity Funds	370,638
Exchange Traded Funds	432,101
Total	\$ 1,631,210

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, 2018, the investments balance of \$1,631,210 was all classified to be Level 1.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Equities	\$ 5,707	\$ 5,707	\$ -	\$ -
Bond Funds	822,764	822,764	-	-
Equity Funds	370,638	370,638	-	-
Exchange Traded Funds	432,101	432,101	-	-
Total	<u>\$ 1,631,210</u>	<u>\$ 1,631,210</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31, 2018 were as follows:

	Years	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Furniture/equipment	5	\$ 28,124	<u>\$ -</u>	<u>\$ -</u>	\$ 28,124
Less accumulated depreciation		<u>(24,146)</u>			<u>(26,769)</u>
Fixed assets, net		<u>\$ 3,978</u>			<u>\$ 1,355</u>

Depreciation expense was \$2,623 and \$3,426 for the years ended December 31, 2018 and December 31, 2017, 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. Vacation leave is capped at 1.75 times the annual accrual and does not accrue during a leave of absence. 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 \$36,751 and \$34,962 as of December 31, 2018, and December 31, 2017, respectively.

NOTE 9 - FUNDRAISING EVENTS, NET

Fundraising events, net during the years ended December 31 were as follows:

	2018	2017
Awareness and fundraising events income	\$ 424,636	\$ 206,418
Related expenses	<u>(26,260)</u>	<u>(17,239)</u>
Awareness and fundraising events, net	<u>\$ 398,376</u>	<u>\$ 189,179</u>

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2018

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, 2018 and December 31, 2017 was \$123,183 and \$113,174, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 were available for the following purposes:

Program Activities	Beginning Balance	Contributions	Releases	Ending Balance
Subject to Expenditure for Specified Purpose				
Support and Education Fund	\$ 1,500	\$ 203,753	\$ (82,083)	\$ 123,170
Treatment Development Fund	998,048	16,558	(443,481)	571,125
Research Fund	1,500	15,000	(16,500)	-
Total	<u>\$ 1,001,048</u>	<u>\$ 235,311</u>	<u>\$ (542,064)</u>	<u>\$ 694,295</u>

NOTE 12 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use within one year of the year end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

	2018	2017
Cash and cash equivalents	\$ 873,901	\$ 1,144,011
Investments	1,631,210	1,826,917
Accounts receivable	261,100	423,383
Total financial assets	2,766,211	3,394,311
Donor-imposed restrictions	(694,295)	(1,001,048)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,071,916</u>	<u>\$ 2,393,263</u>

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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:

	2018	2017
Columbia University	\$ 195,000	\$ 175,000
Leavett Medical Associates of Florida	-	3,500
Monasterium Laboratory	50,000	-
Stanford University	-	199,626
University of Bradford	-	100,000
University of California San Francisco	200,000	-
University of Manchester	39,706	-
University of Minnesota	233,378	173,254
University of Munster	-	100,000
Total	<u>\$ 718,084</u>	<u>\$ 751,380</u>

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 is currently \$5,873 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, 2019	<u>\$ 60,118</u>
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NOTE 15 - COMMITMENTS

In October 2016, the Organization entered into a group sales agreement with Hyatt Regency, Renton, Washington to hold the 2019 Annual Conference in June-July 2019. The agreement has a cancellation option whereby the canceling party must provide payment to the non-canceling party in the amount of \$118,400 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, 2017 financial statements have been reclassified to conform to the December 31, 2018 presentation. These reclassifications have no effect on the change in net assets as previously reported.