

NATIONAL ALOPECIA AREATA FOUNDATION

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 24, 2020

National Alopecia Areata Foundation
STATEMENTS OF FINANCIAL POSITION
December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,276,855	\$ 873,901
Investments	503,550	1,631,210
Accounts receivable	265,164	261,100
Prepaid expenses and other current assets	18,318	32,050
Total current assets	2,063,887	2,798,261
Non-current assets:		
Fixed assets, net of accumulated depreciation	-	1,355
Total non-current assets	-	1,355
Total assets	\$ 2,063,887	\$ 2,799,616
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 22,668	\$ 110,011
Accrued vacation payable	32,297	36,751
Deferred revenue	9,000	2,400
Total current liabilities	63,965	149,162
Net assets:		
Net assets without donor restrictions	1,736,197	1,956,159
Net assets with donor restrictions	263,725	694,295
Total net assets	1,999,922	2,650,454
Total liabilities and net assets	\$ 2,063,887	\$ 2,799,616

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

National Alopecia Areata Foundation
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restricted	Total 2019	Total 2018
Operating revenues:				
Contributions	\$ 721,191	\$ 69,108	\$ 790,299	\$ 865,764
Grants and sponsorships	369,970	-	369,970	469,250
TDP services	51,346	-	51,346	176,535
Fundraising events	375,544	-	375,544	424,636
Conference registration fees	117,937	-	117,937	153,090
Publications and community services	26,768	-	26,768	21,440
Net assets released from restrictions	499,678	(499,678)	-	-
Total operating revenues	<u>2,162,434</u>	<u>(430,570)</u>	<u>1,731,864</u>	<u>2,110,715</u>
Operating expenses:				
Program services:				
Support and education	957,926	-	957,926	1,046,710
Awareness and advocacy	309,256	-	309,256	277,957
Treatment development	820,367	-	820,367	765,242
Subtotal program services	<u>2,087,549</u>	<u>-</u>	<u>2,087,549</u>	<u>2,089,909</u>
Supportive services:				
Fundraising	326,830	-	326,830	315,884
Administration	164,366	-	164,366	157,896
Subtotal supportive services	<u>491,196</u>	<u>-</u>	<u>491,196</u>	<u>473,780</u>
Total operating expenses	<u>2,578,745</u>	<u>-</u>	<u>2,578,745</u>	<u>2,563,689</u>
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	58,758	-	58,758	114,380
Realized gains/(losses) on investments	81,935	-	81,935	(910)
Unrealized gains/(losses) on investments	55,656	-	55,656	(201,380)
Subtotal investment return, net	<u>196,349</u>	<u>-</u>	<u>196,349</u>	<u>(87,910)</u>
Total non-operating revenues and (expenses)	<u>196,349</u>	<u>-</u>	<u>196,349</u>	<u>(87,910)</u>
Change in net assets	(219,962)	(430,570)	(650,532)	(540,884)
Net assets, beginning of period	<u>1,956,159</u>	<u>694,295</u>	<u>2,650,454</u>	<u>3,191,338</u>
Net assets, end of period	<u>\$ 1,736,197</u>	<u>\$ 263,725</u>	<u>\$ 1,999,922</u>	<u>\$ 2,650,454</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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services				Supportive Services			Total 2019	Total 2018
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal	Fundraising	Admin- istration	Subtotal		
Expenses:									
Grants	\$ -	\$ -	\$ 324,589	\$ 324,589	\$ -	\$ -	\$ -	\$ 324,589	\$ 176,283
Research program	-	-	98,943	98,943	-	-	-	98,943	86,703
Scholarships	11,538	-	-	11,538	-	-	-	11,538	13,210
Salaries	420,061	125,989	213,249	759,299	158,674	72,503	231,177	990,476	957,053
Payroll taxes	27,685	8,304	14,055	50,044	10,458	4,778	15,236	65,280	64,419
Medical benefits	43,705	13,108	22,188	79,001	16,509	7,544	24,053	103,054	99,107
Retirement benefits	48,788	14,633	24,768	88,189	18,429	8,420	26,849	115,038	123,183
Workers compensation insurance	1,629	488	827	2,944	615	281	896	3,840	4,145
Legal fees	-	-	-	-	-	4,499	4,499	4,499	1,688
Accounting and tax preparation	-	-	-	-	-	23,772	23,772	23,772	32,200
Audit fees	-	-	-	-	-	5,800	5,800	5,800	5,800
Website and software maintenance	38,238	8,089	13,971	60,298	10,295	2,941	13,236	73,534	83,291
Other professional fees	-	42,263	-	42,263	-	-	-	42,263	8,950
Payroll processing fees	3,214	964	1,632	5,810	1,214	554	1,768	7,578	6,924
Rent	40,121	8,487	14,660	63,268	10,802	3,086	13,888	77,156	74,925
Insurance	5,779	1,222	2,111	9,112	1,556	445	2,001	11,113	8,440
Supplies	6,878	1,455	2,513	10,846	1,852	529	2,381	13,227	15,586
Expendable equipment	8,424	1,782	3,078	13,284	2,268	647	2,915	16,199	-
Telephone and internet	5,636	1,192	2,059	8,887	1,517	435	1,952	10,839	11,970
Postage and shipping	21,739	4,599	7,943	34,281	5,853	1,671	7,524	41,805	46,390
Printing and publications	30,050	6,357	10,980	47,387	8,090	2,312	10,402	57,789	110,225
Equipment maintenance & leasing	10,867	2,299	3,971	17,137	2,926	836	3,762	20,899	18,445
Travel	43,921	9,291	16,048	69,260	11,825	3,378	15,203	84,463	113,438
Conventions and meetings	98,088	20,749	35,840	154,677	26,408	7,545	33,953	188,630	278,939
Awareness and fundraising events	-	15,340	-	15,340	15,339	-	15,339	30,679	26,260
Audio and visual	13,370	13,369	6,685	33,424	-	-	-	33,424	52,118
Other taxes, licenses and fees	-	-	-	-	-	10,675	10,675	10,675	14,317
Dues and subscriptions	-	9,127	-	9,127	-	1,611	1,611	10,738	16,084
Bank charges and fees	-	-	-	-	22,010	50	22,060	22,060	26,017
Constituent assistance	77,490	-	-	77,490	-	-	-	77,490	84,957
Depreciation	705	149	257	1,111	190	54	244	1,355	2,622
Total expenses	<u>\$ 957,926</u>	<u>\$ 309,256</u>	<u>\$ 820,367</u>	<u>\$ 2,087,549</u>	<u>\$ 326,830</u>	<u>\$ 164,366</u>	<u>\$ 491,196</u>	<u>\$ 2,578,745</u>	<u>\$ 2,563,689</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, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (650,532)	\$ (540,884)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,355	2,623
Realized (gains)/losses on investments	(81,935)	910
Unrealized (gains)/losses on investments	(55,656)	201,380
Donation of investments	(17,849)	(21,189)
Changes in certain assets and liabilities:		
Accounts receivable	(4,064)	162,283
Prepaid expenses and other current assets	13,732	(16,285)
Accounts payable	(87,343)	(75,343)
Accrued vacation payable	(4,454)	1,789
Deferred revenue	6,600	-
Net cash used for operating activities	(880,146)	(284,716)
Cash flows from investing activities:		
Sale of investments	1,283,100	14,606
Net cash provided by investing activities	1,283,100	14,606
Net increase in cash during the period	402,954	(270,110)
Cash balance, beginning of period	873,901	1,144,011
Cash balance, end of period	\$ 1,276,855	\$ 873,901
Supplemental disclosures of cash flow information:		
Noncash investing transaction:		
Disposition of fully depreciated fixed assets	\$ 15,452	\$ -

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

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 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, 2019

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, 2019

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 24, 2020, 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, 2018, from which the summarized information was derived.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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, 2020, 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, 2019. 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>2019</u>	<u>2018</u>
Westamerica Bank	\$ 281,661	\$ 355,435
Charles Schwab	<u>995,194</u>	<u>518,466</u>
Total	<u>\$ 1,276,855</u>	<u>\$ 873,901</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 \$995,194 was fully insured by the FDIC and other insurance provided by Charles Schwab.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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 12/31/18	\$ 1,631,210
Donation of investments	17,849
Sale of investments	(1,283,100)
Realized gains and losses	81,935
Unrealized gains and losses	55,656
Account balances as of 12/31/19	\$ 503,550
Equities	\$ 509
Bond Funds	248,491
Exchange Traded Funds	254,550
Total	\$ 503,550

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, 2019, the investments balance of \$503,550 was all classified to be Level 1.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

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, 2019 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Equities	\$ 509	\$ 509	\$ -	\$ -
Bond Funds	248,491	248,491	-	-
Exchange Traded Funds	254,550	254,550	-	-
Total	\$ 503,550	\$ 503,550	\$ -	\$ -

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31, 2019 were as follows:

	Years	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Furniture/equipment	5	\$ 28,124	\$ -	\$ (15,452)	\$ 12,672
Less accumulated depreciation		(26,769)			(12,672)
Fixed assets, net		\$ 1,355			\$ -

Depreciation expense was \$1,355 and \$2,622 for the years ended December 31, 2019 and December 31, 2018, 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 \$32,297 and \$36,751 as of December 31, 2019, and December 31, 2018, respectively.

NOTE 9 - FUNDRAISING EVENTS, NET

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

	2019	2018
Awareness and fundraising events income	\$ 375,544	\$ 424,636
Related expenses	(30,679)	(26,260)
Awareness and fundraising events, net	\$ 344,865	\$ 398,376

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

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, 2019 and December 31, 2018 was \$115,038 and \$123,183, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 were available for the following purposes:

<u>Program Activities</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to Expenditure for Specified Purpose				
Awareness and Advocacy Fund	\$ -	\$ 23,692	\$ -	\$ 23,692
Support and Education Fund	123,170	37,290	(23,472)	136,988
Treatment Development Fund	<u>571,125</u>	<u>8,126</u>	<u>(476,206)</u>	<u>103,045</u>
Total	<u>\$ 694,295</u>	<u>\$ 69,108</u>	<u>\$ (499,678)</u>	<u>\$ 263,725</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 fund and other reserves that could be drawn upon if the governing board approves that action.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,276,855	\$ 873,901
Investments	503,550	1,631,210
Accounts receivable	<u>265,164</u>	<u>261,100</u>
Total financial assets	2,045,569	2,766,211
Donor-imposed restrictions	<u>(263,725)</u>	<u>(694,295)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,781,844</u>	<u>\$ 2,071,916</u>

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2019

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:

	2019	2018
Columbia University	\$ 260,893	\$ 195,000
Monasterium Laboratory	175,000	50,000
University of California San Francisco	120,000	200,000
University of Manchester	13,235	39,706
University of Minnesota	<u>181,040</u>	<u>233,378</u>
Total	<u>\$ 750,168</u>	<u>\$ 718,084</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 that was renewed again on August 6, 2019. The lease expires in November 2024. The rent expense is currently \$6,260 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, 2020	\$ 75,372
Year ending December 31, 2021	78,387
Year ending December 31, 2022	81,522
Year ending December 31, 2023	84,783
Year ending December 31, 2024	<u>80,558</u>
Total	<u>\$ 400,622</u>

NOTE 15 - COMMITMENTS

In January 2017, the Organization entered into a group sales agreement with Hyatt Regency, Washington D.C. to hold the 2020 Annual Conference in June 2020. The agreement has a cancellation option whereby the canceling party must provide payment to the non-canceling party in the amount of \$158,242 plus applicable taxes if the cancellation option is exercised within 315 days or less from the start of the official event dates.

In February 2019, the Organization entered into a group sales agreement with Hyatt Regency, Denver, Colorado to hold the 2021 Annual Conference in June 2021. The agreement has a cancellation option whereby the canceling party must provide payment to the non-canceling party in the amount of \$147,116 plus applicable taxes if the cancellation option is exercised within 90 days or less from the start of the official event dates.