

NATIONAL ALOPECIA AREATA FOUNDATION

NOVATO, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

Hiep Pham, CPA Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Alopecia Areata Foundation
Novato, California

Opinion

I have audited the accompanying financial statements of the National Alopecia Areata Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my 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, 2025, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of National Alopecia Areata Foundation and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the National Alopecia Areata Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Alopecia Areata Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the National Alopecia Areata Foundation's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Report on Summarized Comparative Information

I have previously audited National Alopecia Areata Foundation's 2024 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 30, 2025. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hiep Pham, CPA Inc.

Fremont, California
March 31, 2026

NATIONAL ALOPECIA AREATA FOUNDATION
STATEMENT OF FINANCIAL POSITION

December 31, 2025

(With Comparative Totals for December 31, 2024)

	2025	2024
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,199,367	\$ 3,101,135
Investments	2,363,643	1,038,076
Accounts receivable	35,850	-
Prepaid expenses and other current assets	80,535	89,193
Total current assets	4,679,395	4,228,404
Non-current assets:		
Fixed assets, net of accumulated depreciation	-	-
Operating lease right-of-use asset, net of accumulated amortization	60,042	85,952
Total non-current assets	60,042	85,952
Total assets	\$ 4,739,437	\$ 4,314,356
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,067	\$ 85,008
Accrued vacation	63,630	58,748
Deferred revenue	530,000	325,000
Operating lease liability, current portion	26,921	24,987
Total current liabilities	681,618	493,743
Long-term liabilities:		
Operating lease liability, net of current portion	34,127	61,048
Total long-term liabilities	34,127	61,048
Total liabilities	715,745	554,791
Net assets:		
Net assets without donor restrictions	3,681,645	3,345,731
Net assets with donor restrictions	342,047	413,834
Total net assets	4,023,692	3,759,565
Total liabilities and net assets	\$ 4,739,437	\$ 4,314,356

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

NATIONAL ALOPECIA AREATA FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Operating revenues:				
Contributions and sponsorships	\$ 2,192,119	\$ 127,110	\$ 2,319,229	\$ 2,056,872
Grants	125,000	-	125,000	70,000
Fundraising events, net	1,141,907	-	1,141,907	750,372
Program service fees	228,385	-	228,385	287,019
Other income	67,255	-	67,255	22,225
Net assets released from restrictions	198,897	(198,897)	-	-
Total operating revenues	<u>3,953,563</u>	<u>(71,787)</u>	<u>3,881,776</u>	<u>3,186,488</u>
Operating expenses:				
Program services:				
Support and education	1,347,485	-	1,347,485	1,011,573
Awareness and advocacy	482,238	-	482,238	336,206
Treatment development	974,738	-	974,738	741,459
Total program services	<u>2,804,461</u>	<u>-</u>	<u>2,804,461</u>	<u>2,089,238</u>
Support services:				
Fundraising	623,456	-	623,456	473,891
Administration	422,265	-	422,265	414,884
Total supportive services	<u>1,045,721</u>	<u>-</u>	<u>1,045,721</u>	<u>888,775</u>
Total operating expenses	<u>3,850,182</u>	<u>-</u>	<u>3,850,182</u>	<u>2,978,013</u>
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	116,285	-	116,285	135,379
Realized and unrealized gains/(losses) on investments	116,248	-	116,248	96,538
Total investment return, net	<u>232,533</u>	<u>-</u>	<u>232,533</u>	<u>231,917</u>
Total non-operating revenues and (expenses)	<u>232,533</u>	<u>-</u>	<u>232,533</u>	<u>231,917</u>
Change in net assets	335,914	(71,787)	264,127	440,392
Net assets, beginning of period	<u>3,345,731</u>	<u>413,834</u>	<u>3,759,565</u>	<u>3,319,173</u>
Net assets, end of period	<u>\$ 3,681,645</u>	<u>\$ 342,047</u>	<u>\$ 4,023,692</u>	<u>\$ 3,759,565</u>

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

NATIONAL ALOPECIA AREATA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	Program Services				Support Services			Total 2025	Total 2024
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal Program Services	Fundraising	Admin- istration	Subtotal Support Services		
Expenses:									
Salaries	\$ 698,721	\$ 262,020	\$ 436,701	\$ 1,397,442	\$ 262,020	\$ 87,340	\$ 349,360	\$ 1,746,802	\$ 1,230,016
Payroll taxes	47,126	17,672	29,454	94,252	17,672	5,892	23,564	117,816	86,648
Employee benefits	78,295	29,361	48,934	156,590	29,361	9,787	39,148	195,738	256,803
Grants and awards	-	-	337,673	337,673	-	-	-	337,673	232,034
Advocacy	-	85,779	-	85,779	-	-	-	85,779	62,549
Scholarships	16,333	-	-	16,333	-	-	-	16,333	-
Professional fees	126,812	22,372	27,413	176,597	52,920	249,424	302,344	478,941	195,045
Lease expense	8,890	3,334	5,556	17,780	3,334	2,033	5,367	23,147	72,689
Insurance	6,287	2,358	3,929	12,574	2,358	786	3,144	15,718	33,962
Supplies and expendable equipment	7,533	45	662	8,240	1,864	6,399	8,263	16,503	10,566
Technology and software	49,481	18,555	30,926	98,962	18,555	6,185	24,740	123,702	118,398
Telephone and internet	3,638	1,364	2,273	7,275	1,364	455	1,819	9,094	13,103
Postage and shipping	3,460	630	10	4,100	25,324	4,415	29,739	33,839	26,894
Printing and publications	9,542	2,091	2,151	13,784	31,035	-	31,035	44,819	58,574
Equipment maintenance and leasing	1,274	-	-	1,274	-	3,739	3,739	5,013	18,291
Travel	33,434	12,538	20,896	66,868	12,538	4,179	16,717	83,585	138,767
Conventions and meetings	141,067	7,625	11,801	160,493	747	19,519	20,266	180,759	166,520
Photography and video	6,099	-	-	6,099	14,947	-	14,947	21,046	3,993
Audio and visual	80,301	420	-	80,721	4,400	-	4,400	85,121	62,568
Production company	-	-	-	-	94,684	-	94,684	94,684	83,773
Taxes, licenses and fees	2,399	900	1,499	4,798	900	299	1,199	5,997	17,494
Dues and subscriptions	603	6,876	1,030	8,509	4,760	16,441	21,201	29,710	37,282
Bank charges and fees	4,063	-	-	4,063	36,375	2,605	38,980	43,043	35,514
Other expenses	22,127	8,298	13,830	44,255	8,298	2,767	11,065	55,320	16,530
Total expenses	<u>\$ 1,347,485</u>	<u>\$ 482,238</u>	<u>\$ 974,738</u>	<u>\$ 2,804,461</u>	<u>\$ 623,456</u>	<u>\$ 422,265</u>	<u>\$ 1,045,721</u>	<u>\$ 3,850,182</u>	<u>\$ 2,978,013</u>

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

NATIONAL ALOPECIA AREATA FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 264,127	\$ 440,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donation of investments	(19,022)	(25,121)
Net realized and unrealized (gains)/losses on investments	(116,248)	(96,538)
Changes in certain assets and liabilities:		
Accounts receivable	(35,850)	-
Prepaid expenses and other current assets	8,658	(58,219)
Accounts payable and accrued expenses	(23,941)	40,923
Accrued vacation	4,882	11,362
Deferred revenue	205,000	325,000
Net cash provided (used) by operating activities	287,606	637,799
Cash flows from investing activities:		
Sale of investments	638,706	-
Purchase of investments	(1,829,003)	(295,513)
Net cash provided (used) by investing activities	(1,190,297)	(295,513)
Cash flows from financing activities:		
Amortization of operating lease	923	(2,888)
Net cash provided (used) by financing activities	923	(2,888)
Net increase (decrease) in cash	(901,768)	339,398
Cash and cash equivalents, beginning of period	3,101,135	2,761,737
Cash and cash equivalents, end of period	\$ 2,199,367	\$ 3,101,135

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

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

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

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Organization of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. 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 are 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.

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 a return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 with a maturity of three months or less.

E. Investments

Included in investments are equities, bond funds, and exchange-traded funds. Investments held by the Organization are stated at their fair market value based on quoted market prices. Realized gains and losses from the sale of marketable securities are computed based on specific identification of historical costs. Unrealized gains and losses of marketable securities are computed based on specific identifications of recorded cost, as they may have been previously adjusted to the market, and are included in the change in net assets. Investment return is presented net of investment fees.

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.

F. Accounts Receivable

Accounts receivable represent amounts earned but not yet collected. The Organization has not accrued an allowance for doubtful accounts, as it is the opinion of management that all receivables will be realized. The Organization will accrue an allowance for doubtful accounts when management considers that the receivables cannot be fully collected.

G. Fixed Assets

The Organization records purchased property and equipment over \$3,500 at cost and records donated fixed assets at fair market value on the date received. At present, fixed assets consist of furniture and equipment, all of which are depreciated by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred. Any impaired assets will be written down to their actual value.

H. Deferred Revenue

Deferred revenue represents sponsorships received in advance for future events.

I. Grants

Grants awarded by government agencies or passed through to the Organization from another donor that received funding from the government agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)*, and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute is accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services provided in accordance with Topic 606.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

K. Program Service Fees

Program service fees represent treatment development program services, conference registration fees, publications, and community services.

L. Functional 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. Administration expenses include those expenses that provide for the overall support and direction of the Organization.

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Functional Allocation of Expenses (concluded)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll related expenses	Time and effort
Professional fees	Function and usage
Lease expense	Function and usage
Insurance	Function and usage
Supplies and expendable equipment	Function and usage
Technology and software	Function and usage
Telephone and internet	Function and usage
Postage and shipping	Function and usage
Printing and publications	Function and usage
Equipment maintenance and leasing	Function and usage
Travel	Function and usage
Conventions and meetings	Function and usage
Photography and video	Function and usage
Audio and visual	Function and usage
Taxes, licenses and fees	Function and usage
Dues and subscriptions	Function and usage
Bank charges and fees	Function and usage
Other expenses	Function and usage

M. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable.

The Organization maintains cash and cash equivalents and investments with commercial banks and other major financial institutions. Cash equivalents include overnight investments; and money market funds. At times, such amounts might exceed Federal Deposit Insurance Corporation (FDIC) limits. 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 a depository. Subject to market fluctuations, management does not consider this risk a particular concern at this time.

The Organization is vulnerable to the inherent risk associated with revenue that is substantially dependent on public support and contributions. The continued growth and well-being of the Organization are contingent upon the successful achievement of its long-term revenue-raising goals. Management is taking steps to address potential changes in funding levels and reduce Organization's exposure to these fluctuations.

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

N. Contingencies

The Organization participates in numerous grants. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

O. 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.

P. 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.

Q. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 31, 2026, the date the financial statements were available to be issued.

R. 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, 2024, from which the summarized information was derived.

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.

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 3 - INCOME TAXES (concluded)

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, 2025 and December 31, 2024. 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 are as follows:

	<u>2025</u>	<u>2024</u>
Westamerica Bank	\$ 412,367	\$ 431,830
Charles Schwab	1,411,830	2,651,331
Wells Fargo Advisors	<u>375,170</u>	<u>17,974</u>
Total	<u>\$ 2,199,367</u>	<u>\$ 3,101,135</u>

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

NOTE 5 - INVESTMENTS

The investment activity for the year ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Account balances, beginning of period	\$ 1,038,076	\$ 620,904
Donation of investments	19,022	25,121
Purchase of investments	1,829,003	295,513
Sale of investments	(638,706)	-
Net realized and unrealized gains and (losses)	<u>116,248</u>	<u>96,538</u>
Account balances, end of period	<u>\$ 2,363,643</u>	<u>\$ 1,038,076</u>

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 5 - INVESTMENTS (concluded)

	2025	2024
Equities and ETFs	\$ 2,363,643	\$ 613,706
Fixed income securities	-	125,368
Bond Funds	-	299,002
Total	\$ 2,363,643	\$ 1,038,076

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and its subsections, *Fair Value Measurements and Disclosures* clarify the definition of fair value for financial reporting, establish a framework for measuring fair value, and require 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.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31:

	2025	2024
Level 1: Quoted prices	\$ 2,363,643	\$ 1,038,076
Level 2: Other significant observable inputs	-	-
Level 3: Significant unobservable inputs	-	-
Total	\$ 2,363,643	\$ 1,038,076

FSP FAS 157-4, which supersedes FSP FAS 157-3, provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for December 31 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Equities and ETFs	\$ 2,363,643	\$ 2,363,643	\$ -	\$ -

NATIONAL ALOPECIA AREATA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

2024	Total Investment	Level 1	Level 2	Level 3
Equities and ETFs	\$ 613,706	\$ 613,706	\$ -	\$ -
Fixed income securities	125,368	125,368	-	-
Bond Funds	<u>299,002</u>	<u>299,002</u>	-	-
Total	<u>\$ 1,038,076</u>	<u>\$ 1,038,076</u>	<u>-</u>	<u>-</u>

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31 are as follows:

	<u>Years</u>	<u>2024</u>
Furniture and equipment	5	\$ 12,671
Less accumulated depreciation		<u>(12,671)</u>
Fixed assets, net		<u>\$ -</u>

There was no depreciation expense for the years ended December 31, 2025 and December 31, 2024.

During the year ended December 31, 2025, the fully depreciated furniture and equipment of \$12,671 was removed from the financial statements due to its obsolescence.

NOTE 8 - ACCRUED VACATION

The Organization's employees earn between ten to eighteen days of 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 \$63,630 and \$58,748 as of December 31, 2025 and December 31, 2024, respectively.

NOTE 9 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY

The Organization has entered into a new operating lease to rent the facility at 1500 Grant Avenue, Novato, CA 94945 pursuant to a lease agreement entered in December 2025 that expires in February 2028. The rent expense is currently \$2,411 per month and the security deposit not applicable towards last month's rent is \$2,500.

The total expenses for rent were \$23,147 and \$72,689 for the years ended December 31, 2025 and December 31, 2024, respectively.

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For the Year Ended December 31, 2025

NOTE 9 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY (concluded)

Amounts recognized as right-of-use assets related to operating leases are included in the accompanying Statement of Financial Position, while related lease liabilities are included in the operating lease liabilities. As of December 31, right-of-use assets and lease liabilities related to operating leases were as follows:

	2025	2024
Operating lease right-of-use asset	\$ 88,377	\$ 88,377
Less accumulated amortization	<u>(28,335)</u>	<u>(2,425)</u>
Operating lease right-of-use asset, net	<u>\$ 60,042</u>	<u>\$ 85,952</u>
Operating lease liability:		
Operating lease liability, current portion	\$ 26,921	\$ 24,987
Operating lease liability, net of current portion	<u>34,127</u>	<u>61,048</u>
Total	<u>\$ 61,048</u>	<u>\$ 86,035</u>

During the year ended December 31, 2025, the Organization had the following cash and non-cash activities associated with the leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 28,177

Future minimum lease payments under these agreements are as follows:

Year Ending December 31 2026	\$ 29,007
Year Ending December 31 2027	29,934
Year Ending December 31 2028	<u>5,114</u>
Total	64,055
Less effects of discounting	<u>(3,007)</u>
Lease liabilities recognized	<u>\$ 61,048</u>

NOTE 10 - FUNDRAISING EVENTS, NET

During the year ended December 31, fundraising events are as follows:

	2025	2024
Awareness and fundraising events income	\$ 1,465,149	\$ 930,530
Less related expenses	<u>(323,242)</u>	<u>(180,158)</u>
Fundraising events, net	<u>\$ 1,141,907</u>	<u>\$ 750,372</u>

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For the Year Ended December 31, 2025

NOTE 11 - RETIREMENT PLAN

The Organization has an IRC 401(k) defined contribution retirement plan. Employees need to work one full year before they qualify for the plan. The Organization contributes 7% (was 15% at December 31, 2024) of the employee's salary to the plan which is fully vested immediately. Total employer' contribution to this plan was \$78,278 and \$158,525 during the years ended December 31, 2025 and December 31, 2024, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Beginning Balance 12/31/24</u>	<u>Contributions</u>	<u>Releases/ Transfers</u>	<u>Ending Balance 12/31/25</u>
Subject to Expenditure for Specified Purpose				
Awareness and Advocacy Fund	\$ 48,253	\$ -	\$ 439	\$ 48,692
Support and Education Fund	195,019	120,000	(48,329)	266,690
Treatment Development Fund	<u>170,562</u>	<u>7,110</u>	<u>(151,007)</u>	<u>26,665</u>
Total	<u>\$ 413,834</u>	<u>\$ 127,110</u>	<u>\$ (198,897)</u>	<u>\$ 342,047</u>

NOTE 13 - 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.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,199,367	\$ 3,101,135
Investments	2,363,643	1,038,076
Accounts receivable	<u>35,850</u>	<u>-</u>
Total financial assets	4,598,860	4,139,211
Donor-imposed restrictions	<u>(342,047)</u>	<u>(413,834)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,256,813</u>	<u>\$ 3,725,377</u>

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NOTE 14 - RESEARCH GRANT 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:

	<u>2025</u>	<u>2024</u>
Columbia University	\$ 10,000	\$ 50,000
Johns Hopkins University	75,000	-
New York University	150,000	-
Pennsylvania State University	75,000	-
Stanford University	75,000	-
University of Iowa	150,000	-
University of Pennsylvania	<u>50,000</u>	<u>200,000</u>
Total	<u>\$ 585,000</u>	<u>\$ 250,000</u>

NOTE 15 - RECLASSIFICATIONS

Certain amounts in the December 31, 2024 financial statements have been reclassified to conform to the December 31, 2025 presentation. These reclassifications have no effect on the change in net assets as previously reported.