

**NATIONAL ALOPECIA AREATA FOUNDATION**

**SAN RAFAEL, CALIFORNIA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 16, 2021

National Alopecia Areata Foundation  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2020  
(With Comparative Totals for December 31, 2019)

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,292,120	\$ 1,276,855
Investments	554,936	503,550
Accounts receivable	187,700	265,164
Prepaid expenses and other current assets	41,448	18,318
Total current assets	2,076,204	2,063,887
Non-current assets:		
Fixed assets, net of accumulated depreciation	-	-
Total non-current assets	-	-
Total assets	\$ 2,076,204	\$ 2,063,887
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 56,549	\$ 22,668
Accrued vacation payable	52,178	32,297
Deferred revenue	9,450	9,000
Notes payable, current portion	49,786	-
Total current liabilities	167,963	63,965
Long-term liabilities:		
Notes payable, net of current portion	175,582	-
Total long-term liabilities	175,582	-
Total liabilities	343,545	63,965
Net assets:		
Net assets without donor restrictions	1,540,364	1,736,197
Net assets with donor restrictions	192,295	263,725
Total net assets	1,732,659	1,999,922
Total liabilities and net assets	\$ 2,076,204	\$ 2,063,887

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

National Alopecia Areata Foundation  
STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restricted	Total 2020	Total 2019
Operating revenues:				
Contributions	\$ 712,681	\$ 57,385	\$ 770,066	\$ 790,299
Grants and sponsorships	430,000	-	430,000	369,970
TDP services	102,967	-	102,967	51,346
Fundraising events	299,977	-	299,977	375,544
Conference registration fees	22,516	-	22,516	117,937
Publications and community services	9,019	-	9,019	26,768
Net assets released from restrictions	128,815	(128,815)	-	-
Total operating revenues	1,705,975	(71,430)	1,634,545	1,731,864
Operating expenses:				
Program services:				
Support and education	722,591	-	722,591	957,926
Awareness and advocacy	211,402	-	211,402	309,256
Treatment development	584,416	-	584,416	820,367
Subtotal program services	1,518,409	-	1,518,409	2,087,549
Supportive services:				
Fundraising	270,758	-	270,758	326,830
Administration	175,500	-	175,500	164,366
Subtotal supportive services	446,258	-	446,258	491,196
Total operating expenses	1,964,667	-	1,964,667	2,578,745
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	15,907	-	15,907	58,758
Realized gains/(losses) on investments	738	-	738	81,935
Unrealized gains/(losses) on investments	46,214	-	46,214	55,656
Subtotal investment return, net	62,859	-	62,859	196,349
Total non-operating revenues and (expenses)	62,859	-	62,859	196,349
Change in net assets	(195,833)	(71,430)	(267,263)	(650,532)
Net assets, beginning of period	1,736,197	263,725	1,999,922	2,650,454
Net assets, end of period	\$ 1,540,364	\$ 192,295	\$ 1,732,659	\$ 1,999,922

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, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)

	Program Services				Supportive Services			Total 2020	Total 2019
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal	Fundraising	Admin- istration	Subtotal		
Expenses:									
Grants	\$ -	\$ -	\$ 211,237	\$ 211,237	\$ -	\$ -	\$ -	\$ 211,237	\$ 324,589
Research program	-	-	39,342	39,342	-	-	-	39,342	98,943
Scholarships	630	-	-	630	-	-	-	630	11,538
Salaries	405,925	121,749	206,073	733,747	153,334	70,063	223,397	957,144	990,476
Payroll taxes	26,632	7,988	13,520	48,140	10,060	4,598	14,658	62,798	65,280
Medical benefits	50,295	15,085	25,533	90,913	18,999	8,681	27,680	118,593	103,054
Retirement benefits	43,744	13,120	22,207	79,071	16,524	7,550	24,074	103,145	115,038
Workers compensation insurance	1,389	417	705	2,511	525	239	764	3,275	3,840
Legal fees	-	-	-	-	-	2,020	2,020	2,020	4,499
Accounting and tax preparation	-	-	-	-	-	17,191	17,191	17,191	23,772
Audit fees	-	-	-	-	-	5,900	5,900	5,900	5,800
Website and software maintenance	21,124	4,469	7,718	33,311	5,687	1,626	7,313	40,624	73,534
Other professional fees	-	-	-	-	-	-	-	-	42,263
Payroll processing fees	3,401	1,020	1,727	6,148	1,285	587	1,872	8,020	7,578
Rent	41,836	8,850	15,286	65,972	11,264	3,218	14,482	80,454	77,156
Insurance	6,143	1,299	2,244	9,686	1,654	473	2,127	11,813	11,113
Supplies	2,951	624	1,078	4,653	795	222	1,017	5,670	13,227
Expendable equipment	399	84	146	629	107	31	138	767	16,199
Telephone and internet	6,898	1,459	2,520	10,877	1,857	531	2,388	13,265	10,839
Postage and shipping	14,198	3,003	5,188	22,389	3,822	1,092	4,914	27,303	41,805
Printing and publications	42,063	8,898	15,369	66,330	11,325	3,235	14,560	80,890	57,789
Equipment maintenance & leasing	10,983	2,323	4,013	17,319	2,957	844	3,801	21,120	20,899
Travel	5,625	1,190	2,055	8,870	1,514	433	1,947	10,817	84,463
Conventions and meetings	22,059	4,666	8,060	34,785	5,939	1,697	7,636	42,421	188,630
Awareness and fundraising events	-	7,061	-	7,061	7,061	-	7,061	14,122	30,679
Audio and visual	790	790	395	1,975	-	-	-	1,975	33,424
Other taxes, licenses and fees	-	-	-	-	-	9,959	9,959	9,959	10,675
Dues and subscriptions	-	7,307	-	7,307	-	1,290	1,290	8,597	10,738
Bank charges and fees	-	-	-	-	16,049	-	16,049	16,049	22,060
Constituent assistance	15,506	-	-	15,506	-	-	-	15,506	77,490
Depreciation	-	-	-	-	-	-	-	-	1,355
Bad debt expense	-	-	-	-	-	34,020	34,020	34,020	-
Total expenses	<u>\$ 722,591</u>	<u>\$ 211,402</u>	<u>\$ 584,416</u>	<u>\$ 1,518,409</u>	<u>\$ 270,758</u>	<u>\$ 175,500</u>	<u>\$ 446,258</u>	<u>\$ 1,964,667</u>	<u>\$ 2,578,745</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, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (267,263)	\$ (650,532)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	1,355
Realized (gains)/losses on investments	(738)	(81,935)
Unrealized (gains)/losses on investments	(46,214)	(55,656)
Donation of investments	(19,690)	(17,849)
Changes in certain assets and liabilities:		
Accounts receivable	77,464	(4,064)
Prepaid expenses and other current assets	(23,130)	13,732
Accounts payable	33,881	(87,343)
Accrued vacation payable	19,881	(4,454)
Deferred revenue	450	6,600
Net cash used for operating activities	(225,359)	(880,146)
Cash flows from investing activities:		
Sale of investments	15,256	1,283,100
Net cash provided by investing activities	15,256	1,283,100
Cash flows from financing activities:		
Proceeds from notes payable	225,368	-
Net cash used by financing activities	225,368	-
Net increase in cash during the period	15,265	402,954
Cash balance, beginning of period	1,276,855	873,901
Cash balance, end of period	\$ 1,292,120	\$ 1,276,855
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, 2020

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 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*.

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.

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.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 16, 2021, 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, 2019, from which the summarized information was derived.

N. Implementation of Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standards on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

N. Implementation of Accounting Pronouncements (concluded)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standards on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

O. 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, 2021, 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, 2020. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of December 31 were as follows:

	2020	2019
Quaint Oak Bank	\$ 368	\$ -
Westamerica Bank	651,393	281,661
Charles Schwab	640,359	995,194
Total	\$ 1,292,120	\$ 1,276,855

Cash on deposit with Quaint Oak Bank and 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 \$640,359 was fully insured by the FDIC and other insurance provided by Charles Schwab.

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 12/31/19	\$ 503,550
Donation of investments	19,690
Sale of investments	(15,256)
Realized gains and losses	738
Unrealized gains and losses	46,214
Account balances as of 12/31/20	\$ 554,936
Equities	\$ 5,745
Bond Funds	247,923
Exchange Traded Funds	301,268
Total	\$ 554,936

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.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

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, 2020, the investments balance of \$554,936 was all classified to be Level 1.

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, 2020 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Equities	\$ 5,745	\$ 5,745	\$ -	\$ -
Bond Funds	247,923	247,923	-	-
Exchange Traded Funds	301,268	301,268	-	-
Total	\$ 554,936	\$ 554,936	\$ -	\$ -

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31, 2020 were as follows:

	Years	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Furniture/equipment	5	\$ 12,672	\$ -	\$ -	\$ 12,672
Less accumulated depreciation		(12,672)			(12,672)
Fixed assets, net		\$ -			\$ -

Depreciation expense was \$0 and \$1,355 for the years ended December 31, 2020 and December 31, 2019, respectively.

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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 \$52,178 and \$32,297 as of December 31, 2020, and December 31, 2019, respectively.

NOTE 9 - NOTES PAYABLE

**Paycheck Protection Program Note Payable**

In May 2020, the Organization obtained an SBA Paycheck Protection Program (PPP) loan through Quaint Oak Bank in the amount of \$225,368 to finance operations during the Coronavirus Pandemic referenced in Note 17. The PPP loan bears an interest rate of 1% and is payable in monthly installments of \$12,621 beginning in September 2021 through February 2023. However, the PPP loan can be forgiven in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), as interpreted and clarified by Interim Final Rule published at 13 CFR Part 120 and by any other relevant regulation promulgated or guidance issued by the U.S. Small Business Administration (SBA) or U.S. Treasury. There is no guarantee that the Organization will receive forgiveness of any portion of the Loan. Forgiveness is conditioned on SBA Approval and SBA reimbursement to the Lender.

**Loan Forgiveness:** The Organization may apply to the SBA through Quaint Oak Bank for forgiveness within 10 months of the completion of the covered 24-week period. The forgiveness amount will be equal to the sum of the following costs paid by the Organization during this 24-week period, beginning on the date of first disbursement of this loan:

- a. Payroll costs (Not more than 40% of the amount forgiven can be attributable to non-payroll costs.)
- b. Any payment of interest on a covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation).
- c. Any payment on a covered rent obligation.
- d. Any covered utility payment.

Contingent payments for the PPP loan payable are as follows:

	Principal	Interest
Year ending December 31, 2021	\$ 49,786	\$ 3,564
Year ending December 31, 2022	150,375	1,083
Year ending December 31, 2023	25,207	31
Total	\$ 225,368	\$ 4,678

National Alopecia Areata Foundation  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 10 - FUNDRAISING EVENTS, NET

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

	<u>2020</u>	<u>2019</u>
Awareness and fundraising events income	\$ 299,977	\$ 375,544
Related expenses	(14,122)	(30,679)
Awareness and fundraising events, net	<u>\$ 285,855</u>	<u>\$ 344,865</u>

NOTE 11 - 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, 2020 and December 31, 2019 was \$103,145 and \$115,038, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 were available for the following purposes:

<u>Program Activities</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
<b>Subject to Expenditure for Specified Purpose</b>				
Awareness and Advocacy Fund	\$ 23,692	\$ -	\$ -	\$ 23,692
Support and Education Fund	136,988	32,280	(24,965)	144,303
Treatment Development Fund	103,045	25,105	(103,850)	24,300
Total	<u>\$ 263,725</u>	<u>\$ 57,385</u>	<u>\$ (128,815)</u>	<u>\$ 192,295</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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,292,120	\$ 1,276,855
Investments	554,936	503,550
Accounts receivable	187,700	265,164
Total financial assets	2,034,756	2,045,569
Donor-imposed restrictions	(192,295)	(263,725)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,842,461</u>	<u>\$ 1,781,844</u>



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NOTE 14 - 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:

	2020	2019
Columbia University	\$ 64,286	\$ 260,893
Monasterium Laboratory	-	175,000
University of California Irvine	13,333	-
University of California San Francisco	173,529	120,000
University of Manchester	-	13,235
University of Miami	60,000	-
University of Minnesota	-	181,040
Total	<u>\$ 311,148</u>	<u>\$ 750,168</u>

NOTE 15 - 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, 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>\$ 325,250</u>

NOTE 16 - 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. However, due to the coronavirus pandemic mentioned in Note 17, the Annual Conference was rescheduled to be held in June 2022. 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. However, due to the coronavirus pandemic mentioned in Note 17, the Annual Conference was rescheduled to be held in June 2023. 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.

On March 8, 2021, the Organization entered into an agreement with MorSports and Events, Inc. to hold the 2021 Annual Conference on a virtual platform in June 2021. The agreement has a cancellation option whereby the Organization must provide payment to MorSports and Events, Inc. in the amount of \$43,050 which is 100% of the management fee if the cancellation option is exercised within 90 days or less from the start of the official event dates.

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NOTE 17 - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.