

NATIONAL ALOPECIA AREATA FOUNDATION

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

DECEMBER 31, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-16

INDEPENDENT AUDITORS' REPORT

Board of Directors
National Alopecia Areata Foundation
San Rafael, California

Opinion

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, 2021, 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 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, 2021, 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

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

Our 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 our 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, we:

- 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 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Alopecia Areata Foundation's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited National Alopecia Areata Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 15, 2022

National Alopecia Areata Foundation
STATEMENTS OF FINANCIAL POSITION
December 31, 2021
(With Comparative Totals for December 31, 2020)

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,616,439	\$ 1,292,120
Investments	640,214	554,936
Accounts receivable	11,100	187,700
Prepaid expenses and other current assets	46,147	41,448
Total current assets	2,313,900	2,076,204
Non-current assets:		
Fixed assets, net of accumulated depreciation	-	-
Total non-current assets	-	-
Total assets	\$ 2,313,900	\$ 2,076,204
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 24,975	\$ 56,549
Accrued vacation payable	45,190	52,178
Deferred revenue	9,000	9,450
Notes payable, current portion	-	49,786
Total current liabilities	79,165	167,963
Long-term liabilities:		
Notes payable, net of current portion	-	175,582
Total long-term liabilities	-	175,582
Total liabilities	79,165	343,545
Net assets:		
Net assets without donor restrictions	2,020,956	1,540,364
Net assets with donor restrictions	213,779	192,295
Total net assets	2,234,735	1,732,659
Total liabilities and net assets	\$ 2,313,900	\$ 2,076,204

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

National Alopecia Areata Foundation
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restricted	Total 2021	Total 2020
Operating revenues:				
Contributions	\$ 729,054	\$ 140,687	\$ 869,741	\$ 770,066
Grants and sponsorships	847,255	-	847,255	430,000
TDP services	143,492	-	143,492	102,967
Fundraising events	286,411	-	286,411	299,977
Conference registration fees	16,802	-	16,802	22,516
Publications and community services	11,068	-	11,068	9,019
Net assets released from restrictions	<u>119,203</u>	<u>(119,203)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>2,153,285</u>	<u>21,484</u>	<u>2,174,769</u>	<u>1,634,545</u>
Operating expenses:				
Program services:				
Support and education	558,791	-	558,791	722,591
Awareness and advocacy	199,850	-	199,850	211,402
Treatment development	<u>632,415</u>	<u>-</u>	<u>632,415</u>	<u>584,416</u>
Subtotal program services	<u>1,391,056</u>	<u>-</u>	<u>1,391,056</u>	<u>1,518,409</u>
Supportive services:				
Fundraising	243,010	-	243,010	270,758
Administration	<u>125,967</u>	<u>-</u>	<u>125,967</u>	<u>175,500</u>
Subtotal supportive services	<u>368,977</u>	<u>-</u>	<u>368,977</u>	<u>446,258</u>
Total operating expenses	<u>1,760,033</u>	<u>-</u>	<u>1,760,033</u>	<u>1,964,667</u>
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	12,227	-	12,227	15,907
Realized gains/(losses) on investments	424	-	424	738
Unrealized gains/(losses) on investments	<u>74,689</u>	<u>-</u>	<u>74,689</u>	<u>46,214</u>
Subtotal investment return, net	<u>87,340</u>	<u>-</u>	<u>87,340</u>	<u>62,859</u>
Total non-operating revenues and (expenses)	<u>87,340</u>	<u>-</u>	<u>87,340</u>	<u>62,859</u>
Change in net assets	480,592	21,484	502,076	(267,263)
Net assets, beginning of period	<u>1,540,364</u>	<u>192,295</u>	<u>1,732,659</u>	<u>1,999,922</u>
Net assets, end of period	<u>\$ 2,020,956</u>	<u>\$ 213,779</u>	<u>\$ 2,234,735</u>	<u>\$ 1,732,659</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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Program Services				Supportive Services			Total 2021	Total 2020
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal	Fundraising	Admin- istration	Subtotal		
Expenses:									
Grants	\$ -	\$ -	\$ 139,680	\$ 139,680	\$ -	\$ -	\$ -	\$ 139,680	\$ 211,237
Research program	-	-	36,997	36,997	-	-	-	36,997	39,342
Salaries	302,556	90,745	346,746	740,047	114,288	52,221	166,509	906,556	957,144
Payroll taxes	23,560	7,066	11,960	42,586	8,900	4,067	12,967	55,553	62,798
Medical benefits	46,256	13,873	23,482	83,611	17,473	7,984	25,457	109,068	118,593
Retirement benefits	40,634	12,187	20,629	73,450	15,349	7,014	22,363	95,813	103,145
Workers compensation insurance	1,318	395	669	2,382	498	227	725	3,107	3,275
Legal fees	-	-	-	-	-	8,165	8,165	8,165	2,020
Accounting and tax preparation	-	-	-	-	-	14,912	14,912	14,912	17,191
Audit fees	-	-	-	-	-	5,900	5,900	5,900	5,900
Website and software maintenance	27,153	5,744	9,921	42,818	7,310	2,090	9,400	52,218	40,624
Payroll processing fees	3,111	933	1,580	5,624	1,175	538	1,713	7,337	8,020
Rent	43,480	9,198	15,887	68,565	11,706	3,345	15,051	83,616	80,454
Insurance	7,138	1,510	2,608	11,256	1,922	549	2,471	13,727	11,813
Supplies	3,612	764	1,320	5,696	973	278	1,251	6,947	5,670
Expendable equipment	1,723	364	630	2,717	464	132	596	3,313	767
Telephone and internet	6,703	1,418	2,449	10,570	1,805	515	2,320	12,890	13,265
Postage and shipping	10,509	2,223	3,840	16,572	2,829	808	3,637	20,209	27,303
Printing and publications	22,926	4,850	8,377	36,153	6,173	1,763	7,936	44,089	80,890
Equipment maintenance & leasing	13,713	2,901	5,010	21,624	3,692	1,055	4,747	26,371	21,120
Travel	1,725	365	630	2,720	464	132	596	3,316	10,817
Conventions and meetings	-	26,025	-	26,025	26,025	-	26,025	52,050	42,421
Awareness and fundraising events	-	9,227	-	9,227	9,227	-	9,227	18,454	14,122
Other taxes, licenses and fees	-	-	-	-	-	11,978	11,978	11,978	9,959
Dues and subscriptions	-	10,062	-	10,062	-	1,775	1,775	11,837	8,597
Bank charges and fees	-	-	-	-	12,737	15	12,752	12,752	16,049
Constituent assistance	2,674	-	-	2,674	-	-	-	2,674	15,506
Other	-	-	-	-	-	-	-	-	2,605
Bad debt expense	-	-	-	-	-	504	504	504	34,020
Total expenses	<u>\$ 558,791</u>	<u>\$ 199,850</u>	<u>\$ 632,415</u>	<u>\$ 1,391,056</u>	<u>\$ 243,010</u>	<u>\$ 125,967</u>	<u>\$ 368,977</u>	<u>\$ 1,760,033</u>	<u>\$ 1,964,667</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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 502,076	\$ (267,263)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gains)/losses on investments	(424)	(738)
Unrealized (gains)/losses on investments	(74,689)	(46,214)
Donation of investments	(16,350)	(19,690)
Changes in certain assets and liabilities:		
Accounts receivable	176,600	77,464
Prepaid expenses and other current assets	(4,699)	(23,130)
Accounts payable	(31,574)	33,881
Accrued vacation payable	(6,988)	19,881
Deferred revenue	(450)	450
Net cash used for operating activities	543,502	(225,359)
Cash flows from investing activities:		
Sale of investments	6,185	15,256
Net cash provided by investing activities	6,185	15,256
Cash flows from financing activities:		
Proceeds from notes payable	201,907	225,368
Disposition of notes payable	(427,275)	-
Net cash used by financing activities	(225,368)	225,368
Net increase in cash during the period	324,319	15,265
Cash balance, beginning of period	1,292,120	1,276,855
Cash balance, end of period	\$ 1,616,439	\$ 1,292,120

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

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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 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, 2021

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 how much of the salaries are allocated to each specific program. The same method 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. The Organization will accrue an allowance for doubtful accounts when management considers that the receivables cannot be fully 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, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Grants

The Organization received grants from other organizations and 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.

J. Use of Estimates

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

K. Risk Management

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

L. 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 organization. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

M. 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.

N. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 15, 2022, the date the financial statements were available to be issued.

O. 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, 2020, from which the summarized information was derived.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

P. 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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Organization is evaluating the effect that ACU No. 2020-07 will have on its financial statements and related disclosures.

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, 2021. 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, 2021

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of December 31 were as follows:

	2021	2020
Quaint Oak Bank	\$ 2,275	\$ 368
Westamerica Bank	505,409	651,393
Charles Schwab	1,108,755	640,359
Total	\$ 1,616,439	\$ 1,292,120

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 \$1,108,755 was fully insured by the FDIC and other insurance provided by Charles Schwab.

NOTE 5 - INVESTMENTS

As indicated in note 2M, 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 12/31/20	\$ 554,936
Donation of investments	16,350
Sale of investments	(6,185)
Realized gains and losses	424
Unrealized gains and losses	74,689
Account balances as of 12/31/21	\$ 640,214
Equities	\$ 6,876
Bond Funds	248,818
Exchange Traded Funds	384,520
Total	\$ 640,214

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, 2021

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, 2021, the investments balance of \$640,214 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, 2021 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Equities	\$ 6,876	\$ 6,876	\$ -	\$ -
Bond Funds	248,818	248,818	-	-
Exchange Traded Funds	384,520	384,520	-	-
Total	\$ 640,214	\$ 640,214	\$ -	\$ -

NOTE 7 - FIXED ASSETS

Fixed assets as of December 31, 2021 were as follows:

	Years	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Furniture/equipment	5	\$ 12,672	\$ -	\$ -	\$ 12,672
Less accumulated depreciation		(12,672)			(12,672)
Fixed assets, net		\$ -			\$ -

There was no depreciation expense for the years ended December 31, 2021 and December 31, 2020, respectively.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2021

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 \$45,190 and \$52,178 as of December 31, 2021, and December 31, 2020, respectively.

NOTE 9 - NOTES PAYABLE

1st Round of PPP Loan

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, on June 23, 2021 the PPP loan and accrued interest payable were 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.

2nd Round of PPP Loan

In April 2021, the Organization obtained an SBA Paycheck Protection Program (PPP) loan through Quaint Oak Bank in the amount of \$201,907 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 \$11,307 beginning in August 2022. However, on December 30, 2021 the PPP loan and accrued interest payable were 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.

NOTE 10 - FUNDRAISING EVENTS, NET

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

	2021	2020
Awareness and fundraising events income	\$ 286,411	\$ 299,977
Related expenses	(18,454)	(14,122)
Awareness and fundraising events, net	<u>\$ 267,957</u>	<u>\$ 285,855</u>

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2021

NOTE 11 - DEFINED CONTRIBUTION 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 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, 2021 and December 31, 2020 was \$95,813 and \$103,145, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 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	144,303	25,454	(3,270)	166,487
Treatment Development Fund	<u>24,300</u>	<u>115,233</u>	<u>(115,933)</u>	<u>23,600</u>
Total	<u>\$ 192,295</u>	<u>\$ 140,687</u>	<u>\$ (119,203)</u>	<u>\$ 213,779</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,616,439	\$ 1,292,120
Investments	640,214	554,936
Accounts receivable	<u>11,100</u>	<u>187,700</u>
Total financial assets	2,267,753	2,034,756
Donor-imposed restrictions	<u>(213,779)</u>	<u>(192,295)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,053,974</u>	<u>\$ 1,842,461</u>

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2021

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:

	2021	2020
Columbia University	\$ 21,429	\$ 64,286
University of California Irvine	-	13,333
University of California San Francisco	-	173,529
University of Miami	40,000	60,000
Total	\$ 61,429	\$ 311,148

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 \$6,771 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, 2022	\$ 81,522
Year ending December 31, 2023	84,783
Year ending December 31, 2024	80,558
Total	\$ 246,863

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.

National Alopecia Areata Foundation
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 17 - CONTINGENCY - 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, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization's operations included 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.