

**NATIONAL ALOPECIA AREATA FOUNDATION**

**SAN RAFAEL, CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2022**

**Hiep Pham, CPA Inc.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Alopecia Areata Foundation  
San Rafael, California

### **Opinion**

I 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, 2022, 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, 2022, 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 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 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 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**

The financial statements of National Alopecia Areata Foundation as of December 31, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated April 15, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hiep Pham, CPA Inc.*

Fremont, California  
March 13, 2023

NATIONAL ALOPECIA AREATA FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2022  
(With Comparative Totals for December 31, 2021)

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,970,587	\$ 1,616,439
Investments	546,543	640,214
Accounts receivable	-	11,100
Prepaid expenses and other current assets	51,679	46,147
Total current assets	2,568,809	2,313,900
Non-current assets:		
Fixed assets, net of accumulated depreciation	-	-
Operating lease right-of-use asset, net of accumulated amortization	155,921	-
Total non-current assets	155,921	-
Total assets	\$ 2,724,730	\$ 2,313,900
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 38,974	\$ 23,264
Accrued payroll	51,384	1,711
Accrued vacation	49,466	45,190
Deferred revenue	175,000	9,000
Operating lease liability, current portion	80,021	-
Total current liabilities	394,845	79,165
Long-term liabilities:		
Operating lease liability, net of current portion	79,016	-
Total long-term liabilities	79,016	-
Total liabilities	473,861	79,165
Net assets:		
Net assets without donor restrictions	1,862,966	2,020,956
Net assets with donor restrictions	387,903	213,779
Total net assets	2,250,869	2,234,735
Total liabilities and net assets	\$ 2,724,730	\$ 2,313,900

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

NATIONAL ALOPECIA AREATA FOUNDATION  
STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Operating revenues:				
Contributions and sponsorships	\$ 1,567,742	\$ 368,814	\$ 1,936,556	\$ 1,254,721
Grants	99,999	-	99,999	35,000
Fundraising events	374,381	-	374,381	286,411
Program service fees	112,939	-	112,939	171,362
Gain on extinguishment of debt	-	-	-	427,275
Net assets released from restrictions	194,690	(194,690)	-	-
Total operating revenues	<u>2,349,751</u>	<u>174,124</u>	<u>2,523,875</u>	<u>2,174,769</u>
Operating expenses:				
Program services:				
Support and education	783,607	-	783,607	558,791
Awareness and advocacy	318,679	-	318,679	199,850
Treatment development	789,344	-	789,344	632,415
Total program services	<u>1,891,630</u>	<u>-</u>	<u>1,891,630</u>	<u>1,391,056</u>
Support services:				
Fundraising	372,611	-	372,611	243,010
Administration	164,169	-	164,169	125,967
Total supportive services	<u>536,780</u>	<u>-</u>	<u>536,780</u>	<u>368,977</u>
Total operating expenses	<u>2,428,410</u>	<u>-</u>	<u>2,428,410</u>	<u>1,760,033</u>
Non-operating revenues and (expenses):				
Investment return, net:				
Interest and dividends	26,195	-	26,195	12,227
Realized and unrealized gains/(losses) on investments	(105,526)	-	(105,526)	75,113
Total investment return, net	<u>(79,331)</u>	<u>-</u>	<u>(79,331)</u>	<u>87,340</u>
Total non-operating revenues and (expenses)	<u>(79,331)</u>	<u>-</u>	<u>(79,331)</u>	<u>87,340</u>
Change in net assets	(157,990)	174,124	16,134	502,076
Net assets, beginning of period	<u>2,020,956</u>	<u>213,779</u>	<u>2,234,735</u>	<u>1,732,659</u>
Net assets, end of period	<u>\$ 1,862,966</u>	<u>\$ 387,903</u>	<u>\$ 2,250,869</u>	<u>\$ 2,234,735</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, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	Program Services				Support Services			Total 2022	Total 2021
	Support and Education	Awareness and Advocacy	Treatment Development	Subtotal Program Services	Fundraising	Admin- istration	Subtotal Support Services		
Expenses:									
Salaries	\$ 402,331	\$ 120,671	\$ 404,922	\$ 927,924	\$ 151,977	\$ 69,443	\$ 221,420	\$ 1,149,344	\$ 906,556
Payroll taxes	29,999	8,998	15,229	54,226	11,332	5,177	16,509	70,735	55,553
Employee benefits	79,003	23,695	40,107	142,805	29,843	13,635	43,478	186,283	207,988
Grants and awards	-	-	191,429	191,429	-	-	-	191,429	139,680
Research program	-	-	43,422	43,422	-	-	-	43,422	36,997
Scholarships	16,304	-	-	16,304	-	-	-	16,304	-
Professional fees	82,146	17,708	30,547	130,401	22,522	46,760	69,282	199,683	88,532
Lease expense	43,628	9,229	15,941	68,798	11,746	6,471	18,217	87,015	83,616
Insurance	5,971	1,263	2,182	9,416	1,608	459	2,067	11,483	13,727
Supplies and expendable equipment	5,917	1,252	2,162	9,331	1,593	454	2,047	11,378	10,260
Telephone and internet	6,982	1,477	2,551	11,010	1,880	538	2,418	13,428	12,890
Postage and shipping	7,459	1,578	2,726	11,763	2,008	574	2,582	14,345	20,209
Printing and publications	24,236	5,127	8,855	38,218	6,525	1,864	8,389	46,607	44,089
Equipment maintenance and leasing	15,745	3,331	5,753	24,829	4,239	1,212	5,451	30,280	26,371
Travel	43,260	9,151	15,807	68,218	11,647	3,298	14,945	83,163	3,316
Conventions and meetings	-	70,841	-	70,841	70,840	-	70,840	141,681	52,050
Awareness and fundraising events	-	23,311	-	23,311	23,311	-	23,311	46,622	18,454
Audio and visual	15,423	15,423	7,711	38,557	-	-	-	38,557	-
Other taxes, licenses and fees	-	-	-	-	-	13,247	13,247	13,247	11,978
Dues and subscriptions	-	5,624	-	5,624	-	1,022	1,022	6,646	11,837
Bank charges and fees	-	-	-	-	21,540	15	21,555	21,555	13,256
Constituent assistance	5,203	-	-	5,203	-	-	-	5,203	2,674
Total expenses	<u>\$ 783,607</u>	<u>\$ 318,679</u>	<u>\$ 789,344</u>	<u>\$ 1,891,630</u>	<u>\$ 372,611</u>	<u>\$ 164,169</u>	<u>\$ 536,780</u>	<u>\$ 2,428,410</u>	<u>\$ 1,760,033</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, 2022  
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 16,134	\$ 502,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on extinguishment of debt	-	(427,275)
Donation of investments	(26,216)	(16,350)
Net realized and unrealized (gains)/losses on investments	105,526	(75,113)
Changes in certain assets and liabilities:		
Accounts receivable	11,100	176,600
Prepaid expenses and other current assets	(5,532)	(4,699)
Accounts payable	15,710	(29,050)
Accrued payroll	49,673	(2,524)
Accrued vacation	4,276	(6,988)
Deferred revenue	166,000	(450)
Net cash provided (used) by operating activities	336,671	116,227
Cash flows from investing activities:		
Sale of investments	14,361	6,185
Net cash provided (used) by investing activities	14,361	6,185
Cash flows from financing activities:		
Amortization of operating lease	3,116	-
Proceeds from notes payable	-	201,907
Net cash provided (used) by financing activities	3,116	201,907
Net increase (decrease) in cash	354,148	324,319
Cash, beginning of period	1,616,439	1,292,120
Cash, end of period	\$ 1,970,587	\$ 1,616,439

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, 2022

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 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 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, 2022

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 cost. Unrealized gains and losses of marketable securities are computed based on specific identifications of recorded cost, as they may have been previously adjusted to 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 is depreciated by the straight-line method over estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense 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, 2022

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 are 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 are 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 and 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. 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.

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.

NATIONAL ALOPECIA AREATA FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Concentration of Credit Risk (concluded)

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 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 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.

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 13, 2023, the date the financial statements were available to be issued.

NATIONAL ALOPECIA AREATA FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2021, from which the summarized information was derived.

S. Implementation of Accounting Pronouncements

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 Organization adopted the standards on January 1, 2022. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows. The Organization did not have any contributed financial assets for the year ended December 31, 2022.

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 adopted the standards on January 1, 2022.

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, 2022

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, 2022. 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>2022</u>	<u>2021</u>
Quaint Oak Bank	\$ -	\$ 2,275
Westamerica Bank	471,291	505,409
Charles Schwab	<u>1,499,296</u>	<u>1,108,755</u>
Total	<u>\$ 1,970,587</u>	<u>\$ 1,616,439</u>

The account balances with Quaint Oak Bank and 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 was fully insured by the FDIC and other insurance provided by Charles Schwab.

NOTE 5 - INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Account balances, beginning of period	\$ 640,214	\$ 554,936
Donation of investments	26,216	16,350
Sale of investments	(14,361)	(6,185)
Net realized and unrealized gains and (losses)	<u>(105,526)</u>	<u>75,113</u>
Account balances, end of period	<u>\$ 546,543</u>	<u>\$ 640,214</u>
Equities	\$ 10,561	\$ 6,876
Bond Funds	224,872	248,818
Exchange Traded Funds	<u>311,110</u>	<u>384,520</u>
Total	<u>\$ 546,543</u>	<u>\$ 640,214</u>

NATIONAL ALOPECIA AREATA FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2022

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

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:

	2022	2021
Level 1: Quoted prices	\$ 546,543	\$ 640,214
Level 2: Other significant observable inputs	-	-
Level 3: Significant unobservable inputs	-	-
Total	\$ 546,543	\$ 640,214

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:

2022	Total Investment	Level 1	Level 2	Level 3
Equities	\$ 10,561	\$ 10,561	\$ -	\$ -
Bond Funds	224,872	224,872	-	-
Exchange Traded Funds	311,110	311,110	-	-
Total	\$ 546,543	\$ 546,543	\$ -	\$ -

  

2021	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	\$ -	\$ -

NATIONAL ALOPECIA AREATA FOUNDATION  
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NOTE 7 - FIXED ASSETS

Fixed assets as of December 31 are as follows:

	<u>Years</u>	<u>2022</u>	<u>2021</u>
Furniture and equipment	5	\$ 12,671	\$ 12,671
Less accumulated depreciation		(12,671)	(12,671)
Fixed assets, net		\$ -	\$ -

There was no depreciation expense for the years ended December 31, 2022 and December 31, 2021.

NOTE 8 - ACCRUED VACATION

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 \$49,466 and \$45,190 as of December 31, 2022 and December 31, 2021, respectively.

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

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 expires in November 2024. The rent expense is currently \$7,042 per month and the security deposit not applicable towards last month's rent is \$5,465.

The total expenses for rent were \$87,015 and \$83,616 for the years ended December 31, 2022 and December 31, 2021, respectively.

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, 2022, right-of-use assets and lease liabilities related to operating leases were as follows:

Operating lease right-of-use asset	\$ 233,577
Less accumulated amortization	(77,656)
Operating lease right-of-use asset, net	\$ 155,921
Operating lease liability:	
Operating lease liability, current portion	\$ 80,021
Operating lease liability, net of current portion	79,016
Total	\$ 159,037



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

During the year ended December 31, 2022, 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	\$ 81,522

Future minimum lease payments under these agreements are as follows:

Year Ending December 31 2023	\$ 84,783
Year Ending December 31 2024	<u>80,558</u>
Total	165,341
Less effects of discounting	<u>(6,304)</u>
Lease liabilities recognized	<u>\$ 159,037</u>

NOTE 10 - FUNDRAISING EVENTS, NET

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

	2022	2021
Awareness and fundraising events income	\$ 374,381	\$ 286,411
Less related expenses	<u>(46,622)</u>	<u>(18,454)</u>
Fundraising events, net	<u>\$ 327,759</u>	<u>\$ 267,957</u>

NOTE 11 - GAIN ON EXTINGUISHMENT OF DEBT

**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. The PPP loan bears an interest rate of 1%. 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. At December 31, 2021, the amount of \$225,368 has been recognized as a gain on extinguishment of debt in the Statement of Activities.

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NOTE 11 - GAIN ON EXTINGUISHMENT OF DEBT (concluded)

**2<sup>nd</sup> 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. The PPP loan bears an interest rate of 1%. 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. At December 31, 2021, the amount of \$201,907 has been recognized as a gain on extinguishment of debt in the Statement of Activities.

1 <sup>st</sup> Round of PPP Loan	\$ 225,368
2 <sup>nd</sup> Round of PPP Loan	<u>201,907</u>
Total	<u>\$ 427,275</u>

NOTE 12 - 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 was \$74,343 and \$95,813 during the years ended December 31, 2022 and December 31, 2021, respectively.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

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

	Beginning Balance 12/31/21	Contributions	Releases	Ending Balance 12/31/22
<b>Subject to Expenditure for Specified Purpose</b>				
Awareness and Advocacy Fund	\$ 23,692	\$ 25,000	\$ -	\$ 48,692
Support and Education Fund	166,487	75,004	(46,620)	194,871
Treatment Development Fund	<u>23,600</u>	<u>268,810</u>	<u>(148,070)</u>	<u>144,340</u>
Total	<u>\$ 213,779</u>	<u>\$ 368,814</u>	<u>\$ (194,690)</u>	<u>\$ 387,903</u>

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NOTE 14 - 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,970,587	\$ 1,616,439
Investments	546,543	640,214
Accounts receivable	<u>-</u>	<u>11,100</u>
Total financial assets	2,517,130	2,267,753
Donor-imposed restrictions	<u>(387,903)</u>	<u>(213,779)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,129,227</u>	<u>\$ 2,053,974</u>

NOTE 15 - 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>2022</u>	<u>2021</u>
Columbia University	\$ -	\$ 21,429
Mount Sinai	50,000	-
University of Miami	<u>20,000</u>	<u>40,000</u>
Total	<u>\$ 70,000</u>	<u>\$ 61,429</u>

NOTE 16 - EVENT COMMITMENTS

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, 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 noncanceling 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.

NOTE 17 - RECLASSIFICATIONS

Certain amounts in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation. These reclassifications have no effect on the change in net assets as previously reported.