

**SJÖGREN'S SYNDROME FOUNDATION**  
**(a nonprofit organization)**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2018**  
**(with Summarized Comparative Information for the Year Ended June 30, 2017)**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Sjögren's Syndrome Foundation  
Reston, Virginia

We have audited the accompanying financial statements of Sjögren's Syndrome Foundation, which comprise the statement of financial position as of June 30, 2018, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 auditors' 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 entity'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 entity'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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sjögren's Syndrome Foundation as of June 30, 2018, 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 Sjögren's Syndrome Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of income and expenses by department on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Renner and Company, CPA, P.C.*

Alexandria, Virginia  
October 31, 2018

**SJÖGREN'S SYNDROME FOUNDATION****STATEMENT OF FINANCIAL POSITION****As of June 30, 2018****(with Comparative Information as of June 30, 2017)**

|   | <u>2018</u>              | <u>2017</u>              |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                          |                          |
| <b>CURRENT ASSETS</b>                             |                          |                          |
| Cash  | \$ 192,550               | \$ 147,476               |
| Accounts receivable                               | 153,814                  | 68,065                   |
| Inventory   | 4,030                    | 4,311                    |
| Prepaid expenses                                  | <u>2,826</u>             | <u>24,176</u>            |
| <b>TOTAL CURRENT ASSETS</b>                       | <u>353,220</u>           | <u>244,028</u>           |
| <b>PROPERTY AND EQUIPMENT, at cost, net</b>       | <u>188,793</u>           | <u>9,044</u>             |
| <b>OTHER ASSETS</b>                               |                          |                          |
| Investments                                       | 402,171                  | 419,778                  |
| Deposits  | <u>8,949</u>             | <u>6,859</u>             |
| <b>TOTAL OTHER ASSETS</b>                         | <u>411,120</u>           | <u>426,637</u>           |
| <b>TOTAL ASSETS</b>                               | <u><u>\$ 953,133</u></u> | <u><u>\$ 679,709</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                          |                          |
| <b>CURRENT LIABILITIES</b>                        |                          |                          |
| Accounts payable                                  | \$ 2,923                 | \$ 11,928                |
| Grants payable                                    | 146,250                  | 115,000                  |
| Accrued expenses                                  | 24,960                   | 21,728                   |
| Deferred revenue                                  | 142,958                  | 138,981                  |
| Deferred tenant allowance                         | 22,396                   | -                        |
| Capital lease payable                             | 3,038                    | -                        |
| Deferred rent                                     | <u>-</u>                 | <u>1,305</u>             |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <u>342,525</u>           | <u>288,942</u>           |
| <b>LONG TERM LIABILITIES</b>                      |                          |                          |
| Grants payable, net of current portion            | 43,750                   | 36,250                   |
| Capital lease payable, net of current portion     | 13,442                   | -                        |
| Deferred rent, net of current portion             | 54,758                   | -                        |
| Deferred tenant allowance, net of current portion | <u>132,509</u>           | <u>-</u>                 |
| <b>TOTAL LONG TERM LIABILITIES</b>                | <u>244,459</u>           | <u>36,250</u>            |
| <b>TOTAL LIABILITIES</b>                          | <u>586,984</u>           | <u>325,192</u>           |
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>      | <u>366,149</u>           | <u>354,517</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <u><u>\$ 953,133</u></u> | <u><u>\$ 679,709</u></u> |

See Notes to Financial Statements.

**SJÖGREN'S SYNDROME FOUNDATION****STATEMENT OF ACTIVITIES****Year Ended June 30, 2018****(with Comparative Information for the Year Ended June 30, 2017)**

|                                      | <u>2018</u>       | <u>2017</u>       |
|--------------------------------------|-------------------|-------------------|
| <b>SUPPORT AND REVENUE</b>           |                   |                   |
| Contributions                        | \$ 1,447,590      | \$ 1,486,745      |
| Membership dues                      | 234,007           | 227,317           |
| Special events, net of direct costs  | 206,482           | 235,151           |
| Conferences                          | 164,967           | 124,710           |
| Bequests and planned giving          | 128,300           | 29,969            |
| Newsletter                           | 65,236            | 98,688            |
| Product sales                        | 36,754            | 28,250            |
| Other                                | 15,200            | 19,148            |
| Royalties                            | 1,651             | 1,956             |
| Investment income                    | 30,414            | 41,906            |
|                                      | <u>2,330,601</u>  | <u>2,293,840</u>  |
| <b>TOTAL SUPPORT AND REVENUE</b>     |                   |                   |
|                                      | <u>2,330,601</u>  | <u>2,293,840</u>  |
| <b>EXPENSES</b>                      |                   |                   |
| Program                              | 1,963,606         | 1,828,606         |
| Management and general               | 94,107            | 106,514           |
| Fundraising                          | 261,256           | 239,596           |
|                                      | <u>2,318,969</u>  | <u>2,174,716</u>  |
| <b>TOTAL EXPENSES</b>                |                   |                   |
|                                      | <u>2,318,969</u>  | <u>2,174,716</u>  |
| <b>CHANGE IN NET ASSETS</b>          | 11,632            | 119,124           |
| <b>NET ASSETS, beginning of year</b> | <u>354,517</u>    | <u>235,393</u>    |
| <b>NET ASSETS, end of year</b>       | <u>\$ 366,149</u> | <u>\$ 354,517</u> |

See Notes to Financial Statements.

**SJÖGREN'S SYNDROME FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2018**

**(with Summarized Comparative Information for the Year Ended June 30, 2017)**

|  | 2018                |                           |                   | 2017                |                     |
|--|---------------------|---------------------------|-------------------|---------------------|---------------------|
|  | Program             | Management<br>and General | Fundraising       | Total               | Total               |
| Salaries                                     | \$ 880,282          | \$ 43,708                 | \$ 109,325        | \$ 1,033,315        | \$ 962,141          |
| Payroll taxes                                | 56,023              | 2,781                     | 6,958             | 65,762              | 62,910              |
| Employee benefits                            | 125,879             | 6,249                     | 15,633            | 147,761             | 165,350             |
| Accounting                                   | -                   | 26,443                    | -                 | 26,443              | 23,896              |
| Awards                                       | 2,481               | 123                       | 308               | 2,912               | 2,281               |
| Awareness activities                         | 87,371              | -                         | 19,635            | 107,006             | 105,121             |
| Bank and credit card fees                    | 15,571              | -                         | 16,897            | 32,468              | 30,609              |
| Contracted services                          | 50,374              | 851                       | 1,800             | 53,025              | 60,993              |
| Depreciation                                 | 15,967              | 792                       | 1,983             | 18,742              | 6,490               |
| Dues, subscriptions and<br>registration fees | 7,538               | 277                       | 14,277            | 22,092              | 12,553              |
| Equipment rental                             | 14,390              | 642                       | 1,607             | 16,639              | 19,276              |
| Food and beverage                            | 81,155              | 271                       | -                 | 81,426              | 63,733              |
| Industry sponsored program                   | -                   | -                         | -                 | -                   | 5,112               |
| Insurance                                    | 6,392               | 318                       | 794               | 7,504               | 9,883               |
| Interest                                     | -                   | 1,099                     | -                 | 1,099               | 1,643               |
| Maintenance and repairs                      | 28,848              | 1,435                     | 3,583             | 33,866              | 27,648              |
| Miscellaneous                                | 24,887              | 651                       | 8,919             | 34,457              | 42,604              |
| Parking                                      | 4,339               | 215                       | 539               | 5,093               | 11,108              |
| Payroll processing fees                      | 5,893               | 294                       | 732               | 6,919               | 6,971               |
| Postage and delivery                         | 73,752              | 1,415                     | 16,578            | 91,745              | 93,965              |
| Printing, duplicating and<br>office supplies | 69,946              | 742                       | 27,177            | 97,865              | 103,376             |
| Product costs                                | 10,108              | -                         | -                 | 10,108              | 7,956               |
| Rent   | 97,447              | 4,839                     | 12,102            | 114,388             | 110,733             |
| Research grants                              | 175,500             | -                         | -                 | 175,500             | 145,500             |
| Staff development                            | 2,000               | -                         | -                 | 2,000               | 2,079               |
| Telephone                                    | 19,401              | 962                       | 2,409             | 22,772              | 21,432              |
| Travel                                       | 108,062             | -                         | -                 | 108,062             | 69,353              |
| <b>TOTAL EXPENSES</b>                        | <b>\$ 1,963,606</b> | <b>\$ 94,107</b>          | <b>\$ 261,256</b> | <b>\$ 2,318,969</b> | <b>\$ 2,174,716</b> |

See Notes to Financial Statements.

## SJÖGREN'S SYNDROME FOUNDATION

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(with Comparative Information for the Year Ended June 30, 2017)

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                   |                   |
| Cash received from operations                           |                   |                   |
| Support and revenue                                     | \$ 2,218,415      | \$ 2,206,882      |
| Interest and dividends                                  | 17,829            | 10,835            |
|   | <u>2,236,244</u>  | <u>2,217,717</u>  |
| Cash used in operations                                 |                   |                   |
| Payment to suppliers and employees                      | 2,036,075         | 2,222,754         |
| Interest paid   | 1,099             | 1,643             |
|   | <u>2,037,174</u>  | <u>2,224,397</u>  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <u>199,070</u>    | <u>(6,680)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                   |                   |
| Purchase of equipment and property                      | (180,175)         | (2,151)           |
| Sale of investments                                     | 52,152            | 46,482            |
| Purchase of investments                                 | (21,960)          | (68,711)          |
|   | <u>(149,983)</u>  | <u>(24,380)</u>   |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>            | <u>(149,983)</u>  | <u>(24,380)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                   |                   |
| Payments on capital lease                               | (4,013)           | (2,743)           |
|   | <u>(4,013)</u>    | <u>(2,743)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>                  | 45,074            | (33,803)          |
| <b>CASH, beginning of year</b>                          | <u>147,476</u>    | <u>181,279</u>    |
| <b>CASH, end of year</b>                                | <u>\$ 192,550</u> | <u>\$ 147,476</u> |
| <b>NON-CASH INVESTING ACTIVITIES</b>                    |                   |                   |
| Unrealized gain in market value of investments          | \$ (4,976)        | \$ (20,823)       |
| Increase in investment value                            | 4,976             | 20,823            |
| In-kind stock donation                                  | -                 | (14,306)          |
| Increase in investment value                            | -                 | 14,306            |
| Purchase of equipment under capital lease               | (20,493)          | -                 |
| Capital lease obligation                                | 20,493            | -                 |
|   | <u>\$ -</u>       | <u>\$ -</u>       |

See Notes to Financial Statements.



**SJÖGREN'S SYNDROME FOUNDATION****STATEMENT OF CASH FLOWS****Year Ended June 30, 2018****(with Comparative Information for the Year Ended June 30, 2017)**

|  | <u>2018</u>              | <u>2017</u>              |
|--|--------------------------|--------------------------|
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>        |                          |                          |
| <b>CHANGE IN NET ASSETS</b>  | <u>\$ 11,632</u>         | <u>\$ 119,124</u>        |
| <b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                          |                          |
| Realized and unrealized gains on investments   | (12,585)                 | (31,071)                 |
| Depreciation   | 18,742                   | 6,490                    |
| Loss on disposal of assets   | 1,962                    | 176                      |
| Non-cash occupancy costs   | <u>208,573</u>           | <u>(14,131)</u>          |
| <b>NET ADJUSTMENTS</b>   | <u>216,692</u>           | <u>(38,536)</u>          |
| <b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH ASSETS</b>              |                          |                          |
| Accounts receivable  | (85,749)                 | (28,341)                 |
| Inventory  | 281                      | (439)                    |
| Prepaid expenses   | 21,350                   | (10,458)                 |
| Deposits   | <u>(2,090)</u>           | <u>-</u>                 |
|  | <u>(66,208)</u>          | <u>(39,238)</u>          |
| <b>LIABILITIES</b>   |                          |                          |
| Accounts payable   | (9,005)                  | 1,855                    |
| Grants payable   | 38,750                   | (31,250)                 |
| Accrued expenses   | 3,232                    | (1,925)                  |
| Deferred revenue   | <u>3,977</u>             | <u>(16,710)</u>          |
|  | <u>36,954</u>            | <u>(48,030)</u>          |
| <b>NET CHANGES IN ASSETS AND LIABILITIES</b>   | <u>(29,254)</u>          | <u>(87,268)</u>          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <u><u>\$ 199,070</u></u> | <u><u>\$ (6,680)</u></u> |

See Notes to Financial Statements.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE**

##### **Organization and Purpose**

Sjögren's Syndrome Foundation (the Foundation) was founded in 1983 to provide patients practical information and coping strategies that minimize the effects of Sjögren's syndrome. In addition, the Foundation is the clearinghouse for medical information and is the recognized national advocate for Sjögren's syndrome in the United States. The Foundation's mission is to educate patients and their families about Sjögren's syndrome, increase public and professional awareness of Sjögren's syndrome and encourage research into new treatments and a cure.

The Foundation was incorporated in New York as a nonprofit organization. It is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been granted public charity status by the Internal Revenue Service. Contributions to the Foundation are deductible for U.S. income tax purposes. The Foundation is supported by contributors and members throughout the United States. The Foundation receives no government support.

##### **Significant Accounting Policies**

###### **Basis of Accounting**

The Foundation maintains its records on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

###### **Summarized Information**

The financial statements include certain summarized comparative information in total, but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

###### **Cash and Cash Equivalents**

Cash consists of a noninterest-bearing checking account and an interest-bearing savings account. The Foundation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. There are no cash equivalents as of June 30, 2018 and 2017. The Foundation considers cash and money market funds held within brokered accounts as investments.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)**

##### **Significant Accounting Policies**

###### **Investments**

Investments with readily determinable market values are carried at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income in the Statement of Activities.

The Foundation invests in professionally managed portfolios that contain cash, mutual funds, exchange traded funds and money market funds. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

###### **Accounts Receivable**

Accounts receivable are stated as unpaid balances, less any allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. Accounts receivable are considered past due if payments are not received within 60 days of the invoice date. Management periodically reviews accounts receivable to evaluate collectibility. Uncollectible receivables will be written off when management determines the receivable will not be collected.

###### **Inventory**

Product inventory is carried at cost.

###### **Property and Equipment**

Property in excess of \$250 is capitalized and recorded at cost. Depreciation is calculated on the straight-line method over estimated useful lives. Immaterial items may be expensed at the discretion of management. Significant renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred.

###### **Website Development**

Website development expenditures are recorded at cost. These costs are being amortized over the estimated useful life of the website using straight-line basis. As of June 30, 2018 and 2017, website development costs of \$60,847 have been fully amortized.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)**

##### **Significant Accounting Policies**

###### **Deferred Revenue**

Amounts received in advance for dues and sponsorships are deferred and recognized in the year to which they apply.

###### **Deferred Rent**

The Foundation recognizes rent expense on a straight-line basis over the term of each lease. Lease incentives or abatements received at or near the inception of leases are accrued and amortized over the life of the leases.

###### **Classes of Assets**

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the Foundation classifies resources for accounting purposes into classes established according to their nature and purpose.

In accordance with U.S. GAAP, the Foundation's net assets are classified into two categories as follows:

###### **Without Donor Restriction**

The Foundation includes operating net assets which are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use. There are no board designated net assets as of June 30, 2018 and 2017.

###### **With Donor Restriction**

The Foundation reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on with donor restricted funds held by the Foundation are recorded as an increase or decrease in net assets without donor restriction.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)**

##### **Significant Accounting Policies**

###### **Adoption of New Accounting Standard**

The Foundation has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of June 30, 2018 with no effect on beginning net assets.

###### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, payroll taxes, employee benefits, awards, awareness activities, bank and credit card fees, contracted services, depreciation, dues, subscriptions and registration fees, equipment rental, food and beverage, insurance, maintenance and repairs, miscellaneous, parking, payroll processing fees, postage and delivery, printing, duplicating and office supplies, rent, and telephone costs, have been allocated among the program and supporting services based on level of effort.

###### **Recognition of Support**

Contributions with donor-imposed restrictions are reported as restricted support; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restriction. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

###### **In-Kind Support**

Donated materials and services represent the estimated fair value of materials and services provided. The contributions of services are recognized if the services received create non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)**

##### **Significant Accounting Policies**

###### **Income Taxes**

The Foundation is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions, and has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue earned in the publication of the Foundation's magazine, less applicable deduction, is subject to unrelated business income tax. The Foundation had no net unrelated business income for the years ended June 30, 2018 and 2017.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Foundation's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

###### **Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

###### **Liquidity**

The Foundation maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Foundation reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Foundation's monthly financial reporting process.

**SJÖGREN'S SYNDROME FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

**1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)**

**Significant Accounting Policies**

**Liquidity (Continued)**

The Foundation's financial assets available within one year to meet cash needs for general expenditures through June 30, 2019 are as follows:

|   |                          |
|---|--------------------------|
| Financial Assets  |                          |
| Cash  | \$ 192,550               |
| Accounts receivable   | 153,814                  |
| Investments   | <u>402,171</u>           |
| Financial assets available within one year to meet cash needs<br>for general expenditures within one year | <u><u>\$ 748,535</u></u> |

**2. CASH**

Cash as of June 30, 2018 and 2017 consisted of the following:

|          | <u>2018</u>              | <u>2017</u>              |
|----------|--------------------------|--------------------------|
| Checking | \$ 187,307               | \$ 32,242                |
| Savings  | <u>5,243</u>             | <u>115,234</u>           |
|          | <u><u>\$ 192,550</u></u> | <u><u>\$ 147,476</u></u> |

The above balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts in excess of deposit insurance limits were \$5,923 and \$0 as of June 30, 2018 and 2017, respectively.

**SJÖGREN'S SYNDROME FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

**3. INVESTMENTS**

Investments are recorded at fair value as of June 30, 2018 and 2017 as shown below:

|                             | 2018              |                   |  |
|-----------------------------|-------------------|-------------------|--|
|                             | Cost              | Fair Value        | Unrealized Appreciation (Depreciation) |
| Cash and money market funds | \$ 39,402         | \$ 39,402         | \$ -                                   |
| Exchange traded funds       |                   |                   |  |
| Mid-cap blend               | 16,860            | 23,760            | 6,900                                  |
| Mutual funds                |                   |                   |  |
| Mid-cap growth              | 21,491            | 22,839            | 1,348                                  |
| High yield bond             | 18,377            | 17,954            | (423)                                  |
| Intermediate term bond      | 52,685            | 51,208            | (1,477)                                |
| World bond                  | 25,785            | 25,711            | (74)                                   |
| Foreign large growth        | 49,313            | 43,243            | (6,070)                                |
| Short-term bond             | 25,726            | 25,417            | (309)                                  |
| Foreign mid growth          | 20,949            | 23,607            | 2,658                                  |
| Large blend                 | 86,615            | 129,030           | 42,415                                 |
|                             | <u>\$ 357,203</u> | <u>\$ 402,171</u> | <u>\$ 44,968</u>                       |
|                             |                   |                   |  |
|                             | 2017              |                   |  |
|                             | Cost              | Fair Value        | Unrealized Appreciation (Depreciation) |
| Cash and money market funds | \$ 82,666         | \$ 82,666         | \$ -                                   |
| Exchange-traded funds       |                   |                   |  |
| Mid-cap blend               | 16,860            | 21,516            | 4,656                                  |
| Mutual funds                |                   |                   |  |
| Mid-cap growth              | 19,386            | 18,973            | (413)                                  |
| High yield bond             | 17,369            | 17,323            | (46)                                   |
| Intermediate-term bond      | 51,106            | 51,403            | 297                                    |
| World bond                  | 24,731            | 26,203            | 1,472                                  |
| Foreign large growth        | 42,739            | 43,096            | 357                                    |
| Short-term bond             | 25,124            | 25,255            | 131                                    |
| Foreign large growth        | 18,757            | 21,154            | 2,397                                  |
| Large blend                 | 79,769            | 112,189           | 32,420                                 |
|                             | <u>\$ 378,507</u> | <u>\$ 419,778</u> | <u>\$ 41,271</u>                       |



## SJÖGREN'S SYNDROME FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

(with Comparative Information for the Year Ended June 30, 2017)

#### 3. INVESTMENTS (Continued)

Recorded investment income, including interest on cash accounts for the years ended June 30, 2018 and 2017 is as follows:

|                               | 2018             | 2017             |
|-------------------------------|------------------|------------------|
| Interest and dividends        | \$ 22,481        | \$ 14,056        |
| Realized and unrealized gains | 12,585           | 31,071           |
| Investment management fees    | (4,652)          | (3,221)          |
|                               | <u>\$ 30,414</u> | <u>\$ 41,906</u> |

#### 4. FAIR VALUE MEASUREMENTS

The Foundation records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

**Level 1** inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

**Level 2** inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

**Level 3** inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

## SJÖGREN'S SYNDROME FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

(with Comparative Information for the Year Ended June 30, 2017)

#### 4. FAIR VALUE MEASUREMENTS (Continued)

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30, 2018 and 2017:

|                             | 2018              |                   |
|-----------------------------|-------------------|-------------------|
|                             | Fair Value        | Level 1           |
| Cash and money market funds | \$ 39,402         | \$ 39,402         |
| Exchange traded funds       |                   |                   |
| Mid-cap blend               | 23,760            | 23,760            |
| Mutual funds                |                   |                   |
| Mid-cap growth              | 22,839            | 22,839            |
| High yield bond             | 17,954            | 17,954            |
| Intermediate term bond      | 51,208            | 51,208            |
| World bond                  | 25,711            | 25,711            |
| Foreign large growth        | 43,243            | 43,243            |
| Short-term bond             | 25,417            | 25,417            |
| Foreign mid growth          | 23,607            | 23,607            |
| Large blend                 | 129,030           | 129,030           |
|                             | <u>\$ 402,171</u> | <u>\$ 402,171</u> |
|                             |                   |                   |
|                             | 2017              |                   |
|                             | Fair Value        | Level 1           |
| Cash and money market funds | \$ 82,666         | \$ 82,666         |
| Exchange traded funds       |                   |                   |
| Mid-cap blend               | 21,516            | 21,516            |
| Mutual funds                |                   |                   |
| Mid-cap growth              | 18,973            | 18,973            |
| High yield bond             | 17,323            | 17,323            |
| Intermediate term bond      | 51,403            | 51,403            |
| World bond                  | 26,203            | 26,203            |
| Foreign large growth        | 43,096            | 43,096            |
| Short-term bond             | 25,255            | 25,255            |
| Foreign mid growth          | 21,154            | 21,154            |
| Large blend                 | 112,189           | 112,189           |
|                             | <u>\$ 419,778</u> | <u>\$ 419,778</u> |

**SJÖGREN'S SYNDROME FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

**5. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018 and 2017 consisted of the following:

|              | 2018              | 2017             |
|--------------|-------------------|------------------|
| Advertising  | \$ 500            | \$ 500           |
| Sponsorships | 32,375            | 5,750            |
| Partnership  | 95,100            | 45,165           |
| Other        | 25,839            | 16,650           |
|              | <u>\$ 153,814</u> | <u>\$ 68,065</u> |

**6. PROPERTY AND EQUIPMENT**

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2018 and 2017 is as follows:

|                               | June 30, 2018     |  |  |                           |
|-------------------------------|-------------------|--|--|---------------------------|
|                               | Cost              | Depreciation/<br>amortization<br>expense | Accumulated<br>depreciation/<br>amortization | Useful<br>life<br>(years) |
| Office equipment              | \$ 69,266         | \$ 3,691                                 | \$ 52,799                                    | 5-7                       |
| Equipment under capital lease | 37,493            | 3,853                                    | 20,072                                       | 5                         |
| Leasehold improvements        | 166,103           | 11,198                                   | 11,198                                       | 7                         |
|                               | <u>\$ 272,862</u> | <u>\$ 18,742</u>                         | <u>\$ 84,069</u>                             |                           |
|                               | June 30, 2017     |  |  |                           |
|                               | Cost              | Depreciation/<br>amortization<br>expense | Accumulated<br>depreciation/<br>amortization | Useful<br>life<br>(years) |
| Office equipment              | \$ 82,274         | \$ 3,368                                 | \$ 75,311                                    | 5-7                       |
| Equipment under capital lease | 44,723            | 3,122                                    | 42,642                                       | 5                         |
|                               | <u>\$ 126,997</u> | <u>\$ 6,490</u>                          | <u>\$ 117,953</u>                            |                           |

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **7. DEFERRED REVENUE**

The balance of deferred revenue as of June 30, 2018 and 2017 consisted of the following:

|                                  | <u>2018</u>       | <u>2017</u>       |
|----------------------------------|-------------------|-------------------|
| Dues collected in advance        | \$ 110,958        | \$ 112,981        |
| Sponsorships for future meetings | 32,000            | 26,000            |
|                                  | <u>\$ 142,958</u> | <u>\$ 138,981</u> |

#### **8. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS**

Special events revenue for the year ended June 30, 2018 and 2017 is presented in the accompanying financial statements as follows:

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Walkabouts and Sips events support and revenue | \$ 264,838        | \$ 325,229        |
| Walkabouts and Sips events direct costs        | (50,936)          | (90,078)          |
|  | <u>\$ 206,482</u> | <u>\$ 235,151</u> |

Direct costs to special events of \$50,936 and \$90,078 includes in-kind expenses and other services in the amount of \$2,000 and \$4,500 for the years ended June 30, 2018 and 2017, respectively.

#### **9. RETIREMENT PLAN**

The Foundation established a 401(k) retirement plan for all eligible employees. Employees are eligible to join the plan after one year of employment. For the years ended June 30, 2018 and 2017, the Foundation contributed 3% of the employees' annual salary in the amount of \$19,895 and \$18,610, respectively.

## **SJÖGREN'S SYNDROME FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**

**(with Comparative Information for the Year Ended June 30, 2017)**

#### **10. COMMITMENTS**

##### **Office Leases**

The Foundation leased office space in Bethesda, Maryland until December 31, 2017. A new lease was entered into for office space in Reston, VA which commenced on January 1, 2018. The lease provides for base monthly rental payments of \$8,949 with a cost of living increase of 2.50% occurring each year. Rent expense for the years ended June 30, 2018 and 2017 was \$114,388 and \$110,733, respectively.

The future minimum lease payments required under this lease are as follows:

|            |    |                |
|------------|----|----------------|
| 2019       | \$ | 108,730        |
| 2020       |    | 111,448        |
| 2021       |    | 114,234        |
| 2022       |    | 117,090        |
| 2023       |    | 120,017        |
| Thereafter |    | 238,474        |
|            | \$ | <u>809,993</u> |

##### **Employment Commitment**

The Foundation has an agreement for employment for the executive director in which it could be required to pay severance of \$183,750 in the event the agreement is terminated for any reason other than "for cause".

#### **11. SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2018, the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**SJÖGREN'S SYNDROME FOUNDATION**

**SCHEDULE OF INCOME AND EXPENSES BY DEPARTMENT**  
**Year Ended June 30, 2018**

| <b>SUPPORT AND REVENUE</b>                   | <b>Operating</b>   | <b>Strategic<br/>Governance</b> | <b>Newsletter</b>   | <b>Conference</b>  | <b>Product</b>   | <b>Research</b>     | <b>Industry and<br/>Membership</b> | <b>Fundraising</b> | <b>Government<br/>Relations</b> | <b>Awareness</b>    | <b>Total</b>     |
|--|--------------------|---------------------------------|---------------------|--------------------|------------------|---------------------|------------------------------------|--------------------|---------------------------------|---------------------|------------------|
| Contributions                                | \$ -               | \$ -                            | \$ -                | \$ -               | \$ -             | \$ 158,546          | \$ 745,408                         | \$ 543,636         | \$ -                            | \$ -                | \$ 1,447,590     |
| Membership dues                              | -                  | -                               | -                   | -                  | -                | -                   | 234,007                            | -                  | -                               | -                   | 234,007          |
| Special events, net of direct costs          | -                  | -                               | -                   | -                  | -                | -                   | -                                  | 206,482            | -                               | -                   | 206,482          |
| Conferences                                  | -                  | -                               | -                   | 164,967            | -                | -                   | -                                  | -                  | -                               | -                   | 164,967          |
| Bequests and planned giving                  | -                  | -                               | -                   | -                  | -                | -                   | -                                  | 128,300            | -                               | -                   | 128,300          |
| Newsletter                                   | -                  | -                               | 65,236              | -                  | -                | -                   | -                                  | -                  | -                               | -                   | 65,236           |
| Product sales                                | -                  | -                               | -                   | -                  | 36,754           | -                   | -                                  | -                  | -                               | -                   | 36,754           |
| Other  | 2,000              | -                               | -                   | -                  | -                | -                   | -                                  | 13,200             | -                               | -                   | 15,200           |
| Royalties                                    | -                  | -                               | -                   | -                  | 1,651            | -                   | -                                  | -                  | -                               | -                   | 1,651            |
| Investment income                            | 30,414             | -                               | -                   | -                  | -                | -                   | -                                  | -                  | -                               | -                   | 30,414           |
| <b>TOTAL SUPPORT AND REVENUE</b>             | <b>32,414</b>      | <b>-</b>                        | <b>65,236</b>       | <b>164,967</b>     | <b>38,405</b>    | <b>158,546</b>      | <b>979,415</b>                     | <b>891,618</b>     | <b>-</b>                        | <b>-</b>            | <b>2,330,601</b> |
| <b>EXPENSES</b>                              |                    |                                 |                     |                    |                  |                     |                                    |                    |                                 |                     |                  |
| Salaries                                     | 43,708             | 29,036                          | 82,252              | 47,636             | 9,920            | 146,421             | 254,919                            | 109,325            | 48,876                          | 261,222             | 1,033,315        |
| Payroll taxes                                | 2,781              | 1,848                           | 5,235               | 3,032              | 631              | 9,318               | 16,223                             | 6,958              | 3,111                           | 16,625              | 65,762           |
| Employee benefits                            | 6,249              | 4,152                           | 11,762              | 6,812              | 1,419            | 20,938              | 36,453                             | 15,633             | 6,989                           | 37,354              | 147,761          |
| Accounting                                   | 26,443             | -                               | -                   | -                  | -                | -                   | -                                  | -                  | -                               | -                   | 26,443           |
| Awards                                       | 123                | 82                              | 232                 | 134                | 28               | 413                 | 718                                | 308                | 138                             | 736                 | 2,912            |
| Awareness activities                         | -                  | -                               | -                   | -                  | -                | -                   | -                                  | 19,635             | -                               | 87,371              | 107,006          |
| Bank and credit card fees                    | -                  | -                               | 2,027               | 5,127              | 1,143            | -                   | 7,274                              | 16,897             | -                               | -                   | 32,468           |
| Contracted services                          | 851                | -                               | 18,687              | 4,287              | 1,181            | -                   | 14,339                             | 1,800              | -                               | 11,881              | 53,025           |
| Depreciation                                 | 792                | 527                             | 1,492               | 864                | 180              | 2,656               | 4,624                              | 1,983              | 886                             | 4,738               | 18,742           |
| Dues, subscriptions and<br>registration fees | 277                | 183                             | 518                 | 299                | 62               | 1,421               | 1,604                              | 14,277             | 307                             | 3,144               | 22,092           |
| Equipment rental                             | 642                | 427                             | 1,209               | 700                | 146              | 2,153               | 3,748                              | 1,607              | 719                             | 5,288               | 16,639           |
| Food and beverage                            | 271                | 5,845                           | -                   | 63,805             | -                | -                   | 11,505                             | -                  | -                               | -                   | 81,426           |
| Insurance                                    | 318                | 211                             | 597                 | 346                | 72               | 1,063               | 1,851                              | 794                | 355                             | 1,897               | 7,504            |
| Interest                                     | 1,099              | -                               | -                   | -                  | -                | -                   | -                                  | -                  | -                               | -                   | 1,099            |
| Maintenance and repairs                      | 1,435              | 951                             | 2,695               | 1,561              | 325              | 4,798               | 8,354                              | 3,583              | 1,602                           | 8,561               | 33,865           |
| Miscellaneous                                | 651                | 433                             | 1,227               | 11,262             | 148              | 2,184               | 4,007                              | 8,919              | 1,729                           | 3,897               | 34,457           |
| Parking                                      | 215                | 143                             | 405                 | 235                | 49               | 722                 | 1,256                              | 539                | 241                             | 1,288               | 5,093            |
| Payroll processing                           | 294                | 194                             | 551                 | 319                | 66               | 980                 | 1,707                              | 732                | 327                             | 1,749               | 6,919            |
| Postage and delivery                         | 1,415              | 1,378                           | 45,691              | 1,541              | 320              | 4,735               | 8,243                              | 16,578             | 1,580                           | 10,264              | 91,745           |
| Printing, duplicating and<br>office supplies | 742                | 491                             | 45,670              | 10,785             | 168              | 2,481               | 4,320                              | 27,177             | 828                             | 5,204               | 97,866           |
| Product costs                                | -                  | -                               | -                   | -                  | 10,108           | -                   | -                                  | -                  | -                               | -                   | 10,108           |
| Rent   | 4,839              | 3,214                           | 9,105               | 5,273              | 1,098            | 16,209              | 28,220                             | 12,102             | 5,411                           | 28,917              | 114,388          |
| Research grants                              | -                  | -                               | -                   | -                  | -                | 175,500             | -                                  | -                  | -                               | -                   | 175,500          |
| Staff development                            | -                  | 2,000                           | -                   | -                  | -                | -                   | -                                  | -                  | -                               | -                   | 2,000            |
| Telephone                                    | 962                | 640                             | 1,813               | 1,050              | 219              | 3,227               | 5,618                              | 2,409              | 1,077                           | 5,757               | 22,772           |
| Travel                                       | -                  | 23,291                          | -                   | 26,542             | -                | -                   | 37,456                             | -                  | 329                             | 20,444              | 108,062          |
| <b>TOTAL EXPENSES</b>                        | <b>94,107</b>      | <b>75,046</b>                   | <b>231,168</b>      | <b>191,610</b>     | <b>27,283</b>    | <b>395,219</b>      | <b>452,439</b>                     | <b>261,256</b>     | <b>74,505</b>                   | <b>516,337</b>      | <b>2,318,969</b> |
| <b>CHANGE IN NET ASSETS</b>                  | <b>\$ (61,693)</b> | <b>\$ (75,046)</b>              | <b>\$ (165,932)</b> | <b>\$ (26,643)</b> | <b>\$ 11,122</b> | <b>\$ (236,673)</b> | <b>\$ 526,976</b>                  | <b>\$ 630,362</b>  | <b>\$ (74,505)</b>              | <b>\$ (516,337)</b> | <b>\$ 11,632</b> |

See Independent Auditors' Report.