

SJÖGREN'S SYNDROME FOUNDATION
(a nonprofit organization)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2019
with Summarized Comparative Information for the year ended
June 30, 2018

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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, 2019

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019 (with Comparative Information as of June 30, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 686,061	\$ 192,550
Accounts receivable, net of allowance	69,094	153,814
Inventory	4,203	4,030
Prepaid expenses	28,676	2,826
TOTAL CURRENT ASSETS	<u>788,034</u>	<u>353,220</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>161,714</u>	<u>188,793</u>
OTHER ASSETS		
Investments	1,051,275	402,171
Deposits	8,949	8,949
TOTAL OTHER ASSETS	<u>1,060,224</u>	<u>411,120</u>
TOTAL ASSETS	<u>\$ 2,009,972</u>	<u>\$ 953,133</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable	\$ 28,938	\$ 2,923
Grants payable	165,000	146,250
Accrued expenses	24,702	24,960
Deferred revenue	106,848	142,958
Deferred tenant allowance	22,396	22,396
Capital lease payable	4,098	3,038
Deferred rent	2,236	-
TOTAL CURRENT LIABILITIES	<u>354,218</u>	<u>342,525</u>
LONG TERM LIABILITIES		
Grants payable, net of current portion	43,750	43,750
Capital lease payable, net of current portion	8,326	13,442
Deferred rent, net of current portion	52,710	54,758
Deferred tenant allowance, net of current portion	110,113	132,509
TOTAL LONG TERM LIABILITIES	<u>214,899</u>	<u>244,459</u>
TOTAL LIABILITIES	<u>569,117</u>	<u>586,984</u>
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	367,959	366,149
With donor restrictions	1,072,896	-
TOTAL NET ASSETS	<u>1,440,855</u>	<u>366,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,009,972</u>	<u>\$ 953,133</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019 (with Summarized Comparative Information for the year ended June 30, 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
SUPPORT AND REVENUE				
Contributions	\$ 447,035	\$ 1,122,896	\$ 1,569,931	\$ 1,447,590
Bequests and planned giving	1,181,847	-	1,181,847	128,300
Membership dues	227,237	-	227,237	234,007
Special events, net of direct costs	209,746	-	209,746	206,482
Conferences	114,230	-	114,230	164,967
Newsletter	44,028	-	44,028	65,236
Product sales	32,455	-	32,455	36,754
Investment income	29,952	-	29,952	30,414
Other	11,055	-	11,055	15,200
Royalties	1,595	-	1,595	1,651
Net assets released from restrictions	50,000	(50,000)	-	-
TOTAL SUPPORT AND REVENUE	2,349,180	1,072,896	3,422,076	2,330,601
EXPENSES				
Program	2,034,558	-	2,034,558	1,963,606
Management and general	102,638	-	102,638	94,107
Fundraising	210,174	-	210,174	261,256
TOTAL EXPENSES	2,347,370	-	2,347,370	2,318,969
CHANGE IN NET ASSETS	1,810	1,072,896	1,074,706	11,632
NET ASSETS, beginning of year	366,149	-	366,149	354,517
NET ASSETS, end of year	\$ 367,959	\$ 1,072,896	\$ 1,440,855	\$ 366,149

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019 (with Summarized Comparative Information for the year ended June 30,

	2019				2018
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 1,024,110	\$ 51,911	\$ 101,116	\$ 1,177,137	\$ 1,033,315
Payroll taxes	67,533	3,423	6,668	77,624	65,762
Employee benefits	126,094	6,608	12,450	145,152	147,761
Accounting	-	27,607	-	27,607	26,443
Awards	1,821	92	180	2,093	2,912
Awareness activities	93,014	-	108	93,122	107,006
Bank and credit card fees	12,875	-	20,400	33,275	32,468
Contracted services	30,498	-	-	30,498	53,025
Depreciation	27,345	1,387	2,700	31,432	18,742
Dues, subscriptions and registration fees	2,596	89	9,631	12,316	22,092
Equipment rental	13,457	638	1,243	15,338	16,639
Food and beverage	56,926	1,004	-	57,930	81,426
Industry sponsored program	1,000	-	-	1,000	-
Insurance	6,329	321	625	7,275	7,504
Interest	-	356	-	356	1,099
Maintenance and repairs	34,040	1,729	3,361	39,130	33,866
Miscellaneous	7,961	101	1,451	9,513	34,457
Parking	-	-	-	-	5,093
Payroll processing fees	6,671	338	659	7,668	6,919
Postage and delivery	66,479	1,493	14,934	82,906	91,745
Printing, duplicating and office supplies	71,017	588	24,999	96,604	97,865
Product costs	9,997	-	-	9,997	10,108
Rent	75,867	3,845	7,491	87,203	114,388
Research grants	177,028	-	-	177,028	175,500
Staff development	2,000	-	-	2,000	2,000
Telephone	21,861	1,108	2,158	25,127	22,772
Travel	98,039	-	-	98,039	108,062
TOTAL EXPENSES	\$ 2,034,558	\$ 102,638	\$ 210,174	\$ 2,347,370	\$ 2,318,969

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019 (with Comparative Information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 3,440,734	\$ 2,218,415
Interest and dividends	20,033	17,829
	<u>3,460,767</u>	<u>2,236,244</u>
Cash used in operations		
Payment to suppliers and employees	2,319,306	2,036,075
Interest paid	356	1,099
	<u>2,319,662</u>	<u>2,037,174</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,141,105</u>	<u>199,070</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	(4,353)	(180,175)
Sale of investments	39,088	52,152
Purchase of investments	(678,273)	(21,960)
	<u>(643,538)</u>	<u>(149,983)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(643,538)</u>	<u>(149,983)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(4,056)	(4,013)
	<u>(4,056)</u>	<u>(4,013)</u>
NET INCREASE IN CASH	493,511	45,074
CASH, beginning of year	<u>192,550</u>	<u>147,476</u>
CASH, end of year	<u><u>\$ 686,061</u></u>	<u><u>\$ 192,550</u></u>
NON-CASH INVESTING ACTIVITIES		
Unrealized gain in market value of investments	\$ (600)	\$ (4,976)
Increase in investment value	600	4,976
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, 2019 (with Comparative Information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 1,074,706</u>	<u>\$ 11,632</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Realized and unrealized gains on investments	(9,919)	(12,585)
Depreciation	31,432	18,742
Loss on disposal of assets	-	1,962
Non-cash occupancy costs	<u>(22,208)</u>	<u>208,573</u>
NET ADJUSTMENTS	<u>(695)</u>	<u>216,692</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable, net of allowance	84,720	(85,749)
Inventory	(173)	281
Prepaid expenses	(25,850)	21,350
Deposits	-	(2,090)
	<u>58,697</u>	<u>(66,208)</u>
LIABILITIES		
Accounts payable	26,015	(9,005)
Grants payable	18,750	38,750
Accrued expenses	(258)	3,232
Deferred revenue	<u>(36,110)</u>	<u>3,977</u>
	<u>8,397</u>	<u>36,954</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>67,094</u>	<u>(29,254)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,141,105</u></u>	<u><u>\$ 199,070</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES

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, 2018, 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, 2019 and 2018. 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, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

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 money market funds, certificates of deposit, mutual funds, and exchange traded 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, 2019 and 2018, website development costs of \$60,847 have been fully amortized.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

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, 2019 and 2018.

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, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

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, depreciation, dues, subscriptions and registration fees, equipment rental, food and beverage, insurance, maintenance and repairs, miscellaneous, 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.

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, 2019 and 2018.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Income Taxes (Continued)

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.

The Foundation's financial assets available within one year to meet cash needs for general expenditures through June 30, 2020 are as follows:

Financial Assets	
Cash	\$ 686,061
Accounts receivable, net of allowance	69,094
Investments	<u>1,051,275</u>
Total Financial assets	1,806,430
Less amounts not available within one year	
Purpose restricted net assets	<u>(1,072,896)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 733,534</u></u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

2. CASH

Cash as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Checking	\$ 180,793	\$ 187,307
Savings	505,268	5,243
	<u>\$ 686,061</u>	<u>\$ 192,550</u>

The above balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts in excess of deposit insurance limits were \$513,030 and \$5,923 as of June 30, 2019 and 2018, respectively.

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2019 and 2018 as shown below:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 52,047	\$ 52,047	\$ -
Certificates of deposit	600,000	601,872	1,872
Exchange traded funds			
Mid-cap blend	17,871	26,259	8,388
Mutual funds			
Mid-cap growth	21,109	23,795	2,686
High yield bond	20,410	20,144	(266)
Intermediate term bond	59,492	61,047	1,555
World bond	30,485	29,811	(674)
Foreign large growth	43,767	39,956	(3,811)
Short-term bond	23,685	24,007	322
Foreign mid growth	40,613	39,011	(1,602)
Large blend	90,720	133,326	42,606
	<u>\$ 1,000,199</u>	<u>\$ 1,051,275</u>	<u>\$ 51,076</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

3. INVESTMENTS (CONTINUED)

	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 large 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>

Recorded investment income, including interest on cash accounts for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Interest and dividends	\$ 24,943	\$ 22,481
Realized and unrealized gains	9,919	12,585
Investment management fees	(4,910)	(4,652)
	<u>\$ 29,952</u>	<u>\$ 30,414</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

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, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

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, 2019 and 2018:

	2019		
	Fair Value	Level 1	Level 2
Cash and money market funds	\$ 52,047	\$ 52,047	\$ -
Certificates of deposit	601,872	-	601,872
Exchange traded funds			
Mid-cap blend	26,259	26,259	-
Mutual funds			
Mid-cap growth	23,795	23,795	-
High yield bond	20,144	20,144	-
Intermediate term bond	61,047	61,047	-
World bond	29,811	29,811	-
Foreign large growth	39,956	39,956	-
Short-term bond	24,007	24,007	-
Foreign mid growth	39,011	39,011	-
Large blend	133,326	133,326	-
	<u>\$ 1,051,275</u>	<u>\$ 449,403</u>	<u>\$ 601,872</u>
		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>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Advertising	\$ 2,000	\$ 500
Sponsorships	30,500	32,375
Partnership	40,500	95,100
Other	21,094	25,839
	<u>94,094</u>	<u>153,814</u>
Less: Allowance for doubtful accounts	<u>(25,000)</u>	<u>-</u>
	<u><u>\$ 69,094</u></u>	<u><u>\$ 153,814</u></u>

6. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2019 and 2018 is as follows:

	<u>June 30, 2019</u>			
	<u>Cost</u>	<u>Depreciation/ amortization expense</u>	<u>Accumulated depreciation/ amortization</u>	<u>Useful life (years)</u>
Office equipment	\$ 69,809	\$ 4,947	\$ 53,936	5-7
Equipment under capital lease	37,493	4,099	24,171	5
Leasehold improvements	166,103	22,386	33,584	7
	<u><u>\$ 273,405</u></u>	<u><u>\$ 31,432</u></u>	<u><u>\$ 111,691</u></u>	
	<u>June 30, 2018</u>			
	<u>Cost</u>	<u>Depreciation/ amortization expense</u>	<u>Accumulated depreciation/ amortization</u>	<u>Useful life (years)</u>
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><u>\$ 272,862</u></u>	<u><u>\$ 18,742</u></u>	<u><u>\$ 84,069</u></u>	

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

7. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Dues collected in advance	\$ 103,981	\$ 110,958
Sponsorships for future meetings	2,867	32,000
	<u>\$ 106,848</u>	<u>\$ 142,958</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

The Foundation maintained no net assets with donor restriction as of June 30, 2018. A summary of activity in net assets with donor restriction for the years ended June 30, 2019 is as follows:

	2019			
	Balance at June 30, 2018	Revenue and Support	Released	Balance at June 30, 2019
Kozul Bequest - Research	\$ -	\$ 1,122,896	\$ (50,000)	\$ 1,072,896

9. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2019 and 2018 is presented in the accompanying financial statements as follows:

	2019	2018
Walkabouts and Sips events support and revenue	\$ 284,051	\$ 264,838
Walkabouts and Sips events direct costs	(74,305)	(58,356)
	<u>\$ 209,746</u>	<u>\$ 206,482</u>

Direct costs to special events of \$74,305 and \$58,356 includes in-kind expenses and other services in the amount of \$2,500 and \$2,000 for the years ended June 30, 2019 and 2018, respectively.

10. 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, 2019 and 2018, the Foundation contributed 3% of the employees' annual salary in the amount of \$21,687 and \$19,895, respectively.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2019 (with Comparative Information as of and for the year ended June 30, 2018)

11. 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, 2019 and 2018 was \$87,203 and \$114,388, respectively.

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

2020	\$	111,448
2021		114,234
2022		117,090
2023		120,017
2024		123,018
Thereafter		115,456
	\$	<u>701,263</u>

Employment Commitment

The Foundation has an agreement for employment for the executive director in which it could be required to pay severance of \$195,000 in the event the agreement is terminated for any reason other than "for cause".

Future Meeting Sites

The Foundation entered into agreements for future meeting sites with various hotels. If the Foundation had decided to cancel these contracts at June 30, 2019, it would have been liable for cancellation fees up to \$32,895.

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2019, 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, 2019

SUPPORT AND REVENUE	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,183	\$ 765,482	\$ 662,266	\$ -	\$ -	\$ 1,569,931
Bequests and planned giving	-	-	-	-	-	-	-	1,181,847	-	-	1,181,847
Membership dues	-	-	-	-	-	-	227,237	-	-	-	227,237
Special events, net of direct costs	-	-	-	-	-	-	-	209,746	-	-	209,746
Conferences	-	-	-	114,230	-	-	-	-	-	-	114,230
Newsletter	-	-	44,028	-	-	-	-	-	-	-	44,028
Product sales	-	-	-	-	32,455	-	-	-	-	-	32,455
Investment income	29,952	-	-	-	-	-	-	-	-	-	29,952
Other	632	-	-	-	-	-	-	10,423	-	-	11,055
Royalties	-	-	-	-	1,595	-	-	-	-	-	1,595
TOTAL SUPPORT AND REVENUE	30,584	-	44,028	114,230	34,050	142,183	992,719	2,064,282	-	-	3,422,076
EXPENSES											
Salaries	51,911	24,014	65,213	52,265	8,005	196,700	306,997	101,116	56,267	314,649	1,177,137
Payroll taxes	3,423	1,584	4,300	3,447	528	12,971	20,244	6,668	3,710	20,749	77,624
Employee benefits	6,608	2,956	8,029	6,435	985	24,219	37,800	12,450	6,928	38,742	145,152
Accounting	27,607	-	-	-	-	-	-	-	-	-	27,607
Awards	92	43	116	93	14	350	546	180	100	559	2,093
Awareness activities	-	-	-	-	-	-	-	108	-	93,014	93,122
Bank and credit card fees	-	-	1,356	3,519	1,000	-	7,000	20,400	-	-	33,275
Contracted services	-	-	13,325	2,685	20	2,665	7,643	-	-	4,160	30,498
Depreciation	1,387	641	1,741	1,396	214	5,252	8,197	2,700	1,502	8,402	31,432
Dues, subscriptions and registration fees	89	42	112	90	14	840	530	9,631	97	871	12,316
Equipment rental	638	295	802	642	98	2,418	3,773	1,243	692	4,737	15,338
Food and beverage	1,004	9,605	-	38,617	-	-	8,452	-	252	-	57,930
Industry sponsored program	-	-	-	-	-	-	1,000	-	-	-	1,000
Insurance	321	148	403	323	49	1,216	1,897	625	348	1,945	7,275
Interest	356	-	-	-	-	-	-	-	-	-	356
Maintenance and repairs	1,730	797	2,168	1,737	266	6,538	10,205	3,361	1,869	10,459	39,130
Miscellaneous	101	48	129	4,837	16	587	609	1,451	1,111	624	9,513
Payroll processing	338	156	425	340	52	1,281	2,000	659	367	2,050	7,668
Postage and delivery	1,493	691	37,658	1,504	280	5,659	8,832	14,934	1,618	10,237	82,906
Printing, duplicating and office supplies	587	271	50,503	10,163	91	2,228	3,478	24,999	637	3,647	96,604
Product costs	-	-	-	-	9,997	-	-	-	-	-	9,997
Rent	3,845	1,779	4,831	3,872	593	14,572	22,743	7,491	4,168	23,309	87,203
Research grants	-	-	-	-	-	177,028	-	-	-	-	177,028
Staff development	-	2,000	-	-	-	-	-	-	-	-	2,000
Telephone	1,108	513	1,392	1,116	171	4,199	6,553	2,158	1,201	6,716	25,127
Travel	-	15,910	-	29,579	-	-	41,760	-	1,332	9,458	98,039
TOTAL EXPENSES	102,638	61,493	192,503	162,660	22,393	458,723	500,259	210,174	82,199	554,328	2,347,370
CHANGE IN NET ASSETS	\$ (72,054)	\$ (61,493)	\$ (148,475)	\$ (48,430)	\$ 11,657	\$ (316,540)	\$ 492,460	\$ 1,854,108	\$ (82,199)	\$ (554,328)	\$ 1,074,706

See Independent Auditors' Report.