

SJÖGREN'S FOUNDATION, INC.
(a nonprofit organization)

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2023
with Summarized Comparative Information for the year ended
June 30, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 21
SUPPLEMENTARY INFORMATION	
Schedule of Income and Expenses by Department	23

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sjögren's Foundation, Inc.
Reston, Virginia

Opinion

We have audited the accompanying financial statements of Sjögren's Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 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
November 1, 2023

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023 (with Comparative Information as of June 30, 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 696,719	\$ 1,422,175
Accounts receivable, net of allowance	13,473	87,290
Inventory	13,185	7,239
Prepaid expenses	<u>18,879</u>	<u>10,392</u>
TOTAL CURRENT ASSETS	<u>742,256</u>	<u>1,527,096</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>77,324</u>	<u>68,022</u>
OTHER ASSETS		
Investments	2,657,226	1,159,015
Intangible assets - website development, net of accumulated depreciation	23,126	36,342
Deposits	8,949	8,949
Right of use asset - operating lease	<u>185,396</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>2,874,697</u>	<u>1,204,306</u>
TOTAL ASSETS	<u><u>\$ 3,694,277</u></u>	<u><u>\$ 2,799,424</u></u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable	\$ 18,962	\$ 7,317
Grants payable	125,000	156,250
Accrued expenses	73,530	39,217
Deferred revenue	394,017	296,545
Deferred tenant allowance	-	22,396
Capital lease payable	-	54
Deferred rent	-	11,052
Finance lease liability, current portion	9,170	-
Operating lease liability, current portion	<u>111,773</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>732,452</u>	<u>532,831</u>
LONG TERM LIABILITIES		
Grants payable, net of current portion	225,150	125,000
Finance lease liability, net of current portion	26,278	-
Operating lease liability, net of current portion	144,674	-
Deferred rent, net of current portion	-	28,126
Deferred tenant allowance, net of current portion	<u>-</u>	<u>42,925</u>
TOTAL LONG TERM LIABILITIES	<u>396,102</u>	<u>196,051</u>
TOTAL LIABILITIES	<u>1,128,554</u>	<u>728,882</u>
NET ASSETS		
Without donor restrictions	1,564,827	1,069,646
With donor restrictions	<u>1,000,896</u>	<u>1,000,896</u>
TOTAL NET ASSETS	<u>2,565,723</u>	<u>2,070,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,694,277</u></u>	<u><u>\$ 2,799,424</u></u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023 (with Summarized Comparative Information for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 2,175,312	\$ -	\$ 2,175,312	\$ 1,943,465
Special events, net of direct costs	274,779	-	274,779	279,840
Membership dues	268,230	-	268,230	251,598
Bequests and planned giving	265,884	-	265,884	128,130
Conferences	203,722	-	203,722	236,301
Other	51,843	-	51,843	27,435
Investment income	49,800	-	49,800	(91,571)
Product sales	31,951	-	31,951	47,381
Newsletter	17,717	-	17,717	26,517
Royalties	2,130	-	2,130	2,800
TOTAL SUPPORT AND REVENUE	3,341,368	-	3,341,368	2,851,896
EXPENSES				
Program	2,460,588	-	2,460,588	2,021,533
Management and general	165,326	-	165,326	117,512
Fundraising	220,273	-	220,273	206,308
TOTAL EXPENSES	2,846,187	-	2,846,187	2,345,353
CHANGE IN NET ASSETS	495,181	-	495,181	506,543
NET ASSETS, beginning of year	1,069,646	1,000,896	2,070,542	1,563,999
NET ASSETS, end of year	\$ 1,564,827	\$ 1,000,896	\$ 2,565,723	\$ 2,070,542

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023 (with Summarized Comparative Information for the year ended June 30, 2022)

	2023			2022	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 1,236,152	\$ 58,147	\$ 103,432	\$ 1,397,731	\$ 1,266,020
Payroll taxes	76,610	3,604	6,410	86,624	82,300
Employee benefits	153,211	7,404	12,820	173,435	124,905
Accounting	-	34,173	-	34,173	31,736
Amortization	11,687	551	978	13,216	13,215
Awards	2,962	139	248	3,349	2,671
Awareness activities	134,708	-	-	134,708	74,556
Audio and visual	21,284	-	-	21,284	19,130
Bad debt	1,500	-	-	1,500	-
Bank and credit card fees	33,849	1,592	2,833	38,274	39,743
Contracted services	37,269	39,201	3,300	79,770	34,769
Depreciation	23,200	1,090	1,941	26,231	28,121
Dues, subscriptions and registration fees	11,031	133	29,089	40,253	26,882
Equipment rental	23,264	1,007	1,792	26,063	15,378
Food and beverage	1,400	39	-	1,439	228
Insurance	16,771	789	1,403	18,963	18,204
Interest	946	-	-	946	-
Legal	-	9,293	-	9,293	9,184
Maintenance and repairs	24,033	1,131	2,011	27,175	15,974
Miscellaneous	102,133	995	5,877	109,005	46,076
Payroll processing fees	7,568	356	633	8,557	8,266
Postage and delivery	67,059	1,044	13,494	81,597	73,327
Printing, duplicating and office supplies	51,622	255	26,215	78,092	76,642
Product costs	11,226	-	-	11,226	17,990
Rent	78,718	3,702	6,586	89,006	89,377
Research grants	275,678	-	-	275,678	193,755
Staff development	14,502	-	-	14,502	12,139
Telephone	14,476	681	1,211	16,368	17,992
Travel	27,729	-	-	27,729	6,773
TOTAL EXPENSES	\$ 2,460,588	\$ 165,326	\$ 220,273	\$ 2,846,187	\$ 2,345,353

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.**STATEMENT OF CASH FLOWS****Year Ended June 30, 2023 (with Comparative Information for the year ended June 30, 2022)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 3,453,564	\$ 2,994,942
Interest and dividends	13,146	17,782
	<u>3,466,710</u>	<u>3,012,724</u>
Cash used in operations		
Payment to suppliers and employees	2,694,076	2,716,013
Interest paid	946	-
	<u>2,695,022</u>	<u>2,716,013</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>771,688</u>	<u>296,711</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	(35,533)	-
Purchase of investments	(2,011,191)	(137,295)
Sale of investments	549,634	134,257
	<u>(1,497,090)</u>	<u>(3,038)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,497,090)</u>	<u>(3,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease	(54)	(4,174)
	<u>(54)</u>	<u>(4,174)</u>
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(725,456)	289,499
CASH AND RESTRICTED CASH, beginning of year	<u>1,422,175</u>	<u>1,132,676</u>
CASH AND RESTRICTED CASH, end of year	<u><u>\$ 696,719</u></u>	<u><u>\$ 1,422,175</u></u>
NON-CASH INVESTING ACTIVITIES		
Unrealized (gain) loss in market value of investments	\$ (12,314)	\$ 114,493
Increase (decrease) in investment value	12,314	(114,493)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023 (with Comparative Information for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 495,181</u>	<u>\$ 506,543</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Realized and unrealized (gains) losses on investments	(36,654)	109,353
Depreciation and amortization	39,447	41,336
Loss on disposal of assets	-	12,125
Non-cash occupancy costs	<u>(104,499)</u>	<u>(29,977)</u>
NET ADJUSTMENTS	<u>(101,706)</u>	<u>132,837</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH ASSETS		
Accounts receivable, net of allowance	73,817	(65,784)
Inventory	(5,946)	(1,629)
Prepaid expenses	(8,487)	10,004
Right of use asset	<u>(185,396)</u>	<u>-</u>
	<u>(126,012)</u>	<u>(57,409)</u>
LIABILITIES		
Accounts payable	11,645	6,901
Grants payable	68,900	(410,201)
Accrued expenses	34,313	781
Deferred revenue	97,472	117,259
Lease liabilities	<u>291,895</u>	<u>-</u>
	<u>504,225</u>	<u>(285,260)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>378,213</u>	<u>(342,669)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 771,688</u></u>	<u><u>\$ 296,711</u></u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Sjögren's Foundation, Inc. (the Foundation) was founded in 1983 to provide patients practical information and coping strategies that help manage the impact of symptoms of Sjögren's disease. In addition, the Foundation is the clearinghouse for medical information and is the recognized national advocate for Sjögren's disease in the United States. The Foundation's mission is to educate patients and their families about Sjögren's disease, increase public and professional awareness of Sjögren's disease 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, 2022, 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, 2023 and 2022. The Foundation considers cash and money market funds held within brokered accounts as investments.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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, exchange traded funds, and common stocks. 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 unless otherwise contracted between the Foundation and other party. 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 \$2,000 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, 2022, the Foundation incurred website development costs of \$66,075, of which, \$42,949 had been amortized.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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:

Net Assets 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, 2023 and 2022.

Net Assets 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 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

Revenue Recognition

Membership dues are recognized ratably over the membership period. Memberships received in advance are deferred to the appropriate membership period. Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Grants received that are considered to be conditional promises to give are recorded as refundable advances until the conditions are substantially met. Conference revenues are recognized at the time of the event. Amounts received in advance are recorded as deferred revenue. Publications and products revenue is recognized at the time the sale transaction is complete.

Performance Obligations

Membership dues are recognized over the membership period. The contract for membership dues is established once payment is received, for which the Foundation provides membership benefits for one year. With rates ranging from \$36 a year for U.S. residents and \$48 a year for non-U.S. residents, dues are nonrefundable.

Conference and general registrations are recognized at the time the event is held. The contract for conference and meeting registrations is established once payment is received, for which the Foundation provides access rights to the event either in person or virtually. Rates vary depending on the conference or meeting, day(s) of attendance, and membership status. Conference rates range from \$80 for members and \$100 for non-members. Refunds are provided on demand.

Significant Judgments

The Foundation's Board of Directors determines the price for its membership dues each year. The price for meetings and conferences is determined by management which accounts for all the expenses to be incurred and includes it in the transaction price.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

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.

Gifts In-Kind

Donated goods and services are recorded at their estimated fair value on the date of receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. In-kind contributions are reported in the statement of activities as both revenue and expense.

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, amortization, awards, bank and credit card fees, contracted services, depreciation, dues, subscriptions and registration fees, equipment rental, insurance, maintenance and repairs, miscellaneous, payroll processing fees, postage and delivery, printing, duplicating and office supplies, rent, and telephone have been allocated among the program and supporting services based on level of effort.

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, 2023 and 2022.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

The Foundation adopted ASU 2016-02 as of July 1, 2022. As a result, the statement of financial position as of June 30, 2023 includes the right-of-use asset and operating lease liability, which are not reflected in the statement of financial position as of June 30, 2022. There was no effect on beginning net assets without donor restrictions.

The Foundation elected to apply all practical expedients available under the ASU, allowing it to not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; not reassess the lease classification for any expired or existing leases; and not reassess initial direct costs for any existing leases.

Liquidity and Availability of Assets

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.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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

Significant Accounting Policies (Continued)

Liquidity and Availability of Assets (continued)

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, 2024 are as follows:

Financial Assets

Cash	\$ 696,719
Accounts receivable, net of allowance	13,473
Investments	<u>2,657,226</u>
Total Financial assets	3,367,418
Less amounts not available within one year	
Purpose restricted net assets	<u>(1,000,896)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 2,366,522</u></u>

2. CASH

Cash as of June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Checking	\$ 226,724	\$ 752,247
Savings	<u>469,995</u>	<u>669,928</u>
	<u><u>\$ 696,719</u></u>	<u><u>\$ 1,422,175</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 \$555,174 and \$1,186,902 as of June 30, 2023 and 2022, respectively. No restricted cash was recorded as of June 30, 2023 and 2022, respectively.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2023 and 2022 as shown below:

	2023		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 1,007,146	\$ 1,007,146	\$ -
Certificates of deposit	1,050,000	1,055,173	5,173
Exchange traded funds			
Mid-cap blend	21,807	37,610	15,803
Large blend	136,998	196,816	59,818
Mutual funds			
Mid cap growth	24,351	30,445	6,094
High yield bond	33,139	29,623	(3,516)
Foreign small/mid growth	70,825	54,127	(16,698)
Intermediate core-plus bond	56,263	48,110	(8,153)
World bond-USD hedged	54,373	47,059	(7,314)
Foreign large blend	57,121	53,821	(3,300)
Short-term bond	102,449	97,296	(5,153)
	<u>\$ 2,614,472</u>	<u>\$ 2,657,226</u>	<u>\$ 42,754</u>
	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 128,925	\$ 128,925	\$ -
Certificates of deposit	500,000	498,653	(1,347)
Exchange-traded funds			
Mid-cap blend	16,858	28,644	11,786
Large blend	116,825	149,014	32,189
Mutual funds			
Mid cap growth	20,962	23,258	2,296
High yield bond	30,673	26,317	(4,356)
Foreign small/mid growth	64,625	40,603	(24,022)
Intermediate core-plus bond	51,850	46,052	(5,798)
World bond-USD hedged	50,589	44,474	(6,115)
Foreign large blend	55,871	45,487	(10,384)
Short-term bond	98,082	94,224	(3,858)
Ultrashort bond	30,000	29,395	(605)
Common stocks			
Basic materials	963	3,969	3,006
	<u>\$ 1,166,223</u>	<u>\$ 1,159,015</u>	<u>\$ (7,208)</u>

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

3. INVESTMENTS (CONTINUED)

Recorded investment income, including interest on cash accounts for the years ended June 30, 2023 and 2022, is as follows:

	2023	2022
Interest and dividends	\$ 20,031	\$ 24,989
Realized and unrealized gains	36,654	(109,353)
Investment management fees	(6,885)	(7,207)
	<u>\$ 49,800</u>	<u>\$ (91,571)</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 Levels 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 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

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, 2023 and 2022:

	2023	
	Fair Value	Level 1
Cash and money market funds	\$ 1,007,146	\$ 1,007,146
Certificates of deposit	1,055,173	1,055,173
Exchange traded funds		
Mid-cap blend	37,610	37,610
Large blend	196,816	196,816
Mutual funds		
Mid cap growth	30,445	30,445
High yield bond	29,623	29,623
Foreign small/mid growth	54,127	54,127
Intermediate core-plus bond	48,110	48,110
World bond-USD hedged	47,059	47,059
Foreign large blend	53,821	53,821
Short-term bond	97,296	97,296
	<u>\$ 2,657,226</u>	<u>\$ 2,657,226</u>
	2022	
	Fair Value	Level 1
Cash and money market funds	\$ 128,925	\$ 128,925
Certificates of deposit	498,653	498,653
Exchange traded funds		
Mid-cap blend	28,644	28,644
Large blend	149,014	149,014
Mutual funds		
Mid cap growth	23,258	23,258
High yield bond	26,317	26,317
Foreign small/mid growth	40,603	40,603
Intermediate core-plus bond	46,052	46,052
World bond-USD hedged	44,474	44,474
Foreign large blend	45,487	45,487
Short-term bond	94,224	94,224
Ultrashort bond	29,395	29,395
Common stocks		
Basic materials	3,969	3,969
	<u>\$ 1,159,015</u>	<u>\$ 1,159,015</u>

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

5. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2023 and 2022 is as follows:

	June 30, 2023			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 41,484	\$ 1,636	\$ 41,484	5-7
Equipment under capital lease	52,533	2,209	18,185	5
Leasehold improvements	166,103	22,386	123,127	7
	<u>\$ 260,120</u>	<u>\$ 26,231</u>	<u>\$ 182,796</u>	
	June 30, 2022			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 41,484	\$ 1,636	\$ 39,848	5-7
Equipment under capital lease	37,493	4,099	36,469	5
Leasehold improvements	166,103	22,386	100,741	7
	<u>\$ 245,080</u>	<u>\$ 28,121</u>	<u>\$ 177,058</u>	

6. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Dues collected in advance	\$ 214,717	\$ 211,688
Sponsorships and fees for future events	43,000	48,793
Advertising fees collected in advance	2,500	21,000
Other	133,800	15,064
	<u>\$ 394,017</u>	<u>\$ 296,545</u>

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

7. NET ASSETS WITH DONOR RESTRICTIONS

A summary of activity in net assets with donor restriction for the years ended June 30, 2022 and 2021 is as follows:

	2023			Balance at June 30, 2023
	Balance at June 30, 2022	Revenue and Support	Released	
Kozel Bequest - Research	<u>\$ 1,000,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,896</u>

	2022			Balance at June 30, 2022
	Balance at June 30, 2021	Revenue and Support	Released	
Kozel Bequest - Research	<u>\$ 1,000,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,896</u>

8. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2023 and 2022 is presented in the accompanying financial statements as follows:

	2023	2022
Walkabouts and Sips events support and revenue	\$ 300,828	\$ 298,847
Walkabouts and Sips events direct costs	<u>(26,049)</u>	<u>(19,007)</u>
	<u>\$ 274,779</u>	<u>\$ 279,840</u>

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, 2023 and 2022, the Foundation contributed 3% of the employees' annual salary in the amount of \$64,903 and \$24,975, respectively.

10. COMMITMENTS

Office Lease

The Foundation leases office space in Reston, Virginia, 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 expenses for the years ended June 30, 2023 and 2022 were \$70,090 and \$89,377, respectively.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with Comparative Information as of and for the year ended June 30, 2022)

10. COMMITMENTS (CONTINUED)

Office Lease (Continued)

The Foundation has used a discount rate of 4% to calculate the present value of the sum of the lease payments, which is its recorded lease liability. This rate represents the Foundation's incremental borrowing rate, determined to be the greater of the Wall Street Journal prime lending rate, plus 2%, or a floor of 4%.

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

2024	\$	123,018
2025		115,456
	\$	<u>238,474</u>

Finance Lease - Copier Machine

The Foundation has a finance lease agreement for a copy machine. The term for the lease agreement is from March 2023 to February 2028. The rate implicit in the lease is 0.42% per month. Lease expense was \$3,113 for the year ended June 30, 2023. There are no renewal nor termination clauses within the lease. For this reason, neither option is considered reasonably certain for the calculation of the related right-of-use asset and lease liability. The right-of-use asset balance is \$35,163 as of June 30, 2023 for the lease.

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

2024	\$	8,544
2025		8,544
2026		8,544
2027		8,544
2028		8,544
	\$	<u>42,720</u>

Employment Commitment

The Foundation has an agreement for employment for the Chief Executive Officer in which it could be required to pay severance of \$53,333 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 November 1, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SJÖGREN'S FOUNDATION

SCHEDULE OF INCOME AND EXPENSES BY DEPARTMENT
Year Ended June 30, 2023

SUPPORT AND REVENUE	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,807	\$ 1,197,935	\$ 957,570	\$ -	\$ -	\$ 2,175,312
Bequests and planned giving	-	-	-	-	-	-	-	265,884	-	-	265,884
Membership dues	-	-	-	-	-	-	268,230	-	-	-	268,230
Special events, net of direct costs	-	-	-	-	-	-	-	274,779	-	-	274,779
Conferences	-	-	-	203,722	-	-	-	-	-	-	203,722
Newsletter	-	-	17,717	-	-	-	-	-	-	-	17,717
Product sales	-	-	-	-	31,951	-	-	-	-	-	31,951
Investment income	49,800	-	-	-	-	-	-	-	-	-	49,800
Other	37,719	-	-	-	-	-	-	14,124	-	-	51,843
Royalties	-	-	-	-	2,130	-	-	-	-	-	2,130
TOTAL SUPPORT AND REVENUE	87,519	-	17,717	203,722	34,081	19,807	1,466,165	1,512,357	-	-	3,341,368
EXPENSES											
Salaries	58,147	25,718	97,282	66,532	9,924	282,621	227,411	103,432	87,498	439,166	1,397,731
Payroll taxes	3,604	1,594	6,029	4,123	615	17,515	14,094	6,410	5,423	27,217	86,624
Employee benefits	7,404	3,187	12,057	8,246	1,230	35,028	28,186	12,820	10,845	54,432	173,435
Accounting	34,173	-	-	-	-	-	-	-	-	-	34,173
Amortization	551	243	920	629	94	2,672	2,150	978	827	4,152	13,216
Audio visual	-	-	-	21,284	-	-	-	-	-	-	21,284
Awards	139	62	233	159	24	677	545	248	210	1,052	3,349
Awareness activities	-	-	-	-	-	-	-	-	-	134,708	134,708
Bad debt	-	-	-	1,500	-	-	-	-	-	-	1,500
Bank and credit card fees	1,592	704	2,664	1,822	272	7,739	6,227	2,833	2,396	12,025	38,274
Contracted services	39,201	-	11,525	3,457	-	2,305	13,224	3,300	-	6,758	79,770
Depreciation	1,090	483	1,826	1,249	186	5,304	1,826	1,941	1,642	8,242	26,231
Dues, subscriptions and registration fees	133	58	219	150	22	2,332	513	29,089	197	7,540	40,253
Equipment rental	1,007	446	1,686	1,153	172	4,897	3,941	1,792	1,516	9,453	26,063
Food and beverage	39	906	-	-	-	337	157	-	-	-	1,439
Insurance	789	349	1,320	903	135	3,834	3,085	1,403	1,187	5,958	18,963
Interest	-	-	-	-	-	-	-	-	946	-	946
Legal services donated	9,293	-	-	-	-	-	-	-	-	-	9,293
Maintenance and repairs	1,131	500	1,891	1,294	193	5,495	4,421	2,011	1,701	8,538	27,175
Miscellaneous	995	440	1,664	1,173	170	49,240	7,581	5,877	31,997	9,868	109,005
Payroll processing	356	157	596	407	61	1,730	1,392	633	536	2,689	8,557
Postage and delivery	1,044	462	42,966	1,194	179	5,074	4,082	13,494	1,570	11,532	81,597
Printing, duplicating and office supplies	255	115	43,698	450	44	1,576	2,438	26,215	389	2,912	78,092
Product costs	-	-	-	-	11,226	-	-	-	-	-	11,226
Rent	3,702	1,638	6,195	4,237	632	17,997	14,481	6,586	5,572	27,966	89,006
Research grants	-	-	-	-	-	275,678	-	-	-	-	275,678
Staff development	-	14,502	-	-	-	-	-	-	-	-	14,502
Telephone	681	301	1,139	779	116	3,310	2,663	1,211	1,025	5,143	16,368
Travel	-	3,865	-	-	-	2,521	781	-	-	20,562	27,729
TOTAL EXPENSES	165,326	55,730	233,910	120,741	25,295	727,882	341,640	220,273	155,477	799,913	2,846,187
CHANGE IN NET ASSETS	\$ (77,807)	\$ (55,730)	\$ (216,193)	\$ 82,981	\$ 8,786	\$ (708,075)	\$ 1,124,525	\$ 1,292,084	\$ (155,477)	\$ (799,913)	\$ 495,181

See Independent Auditors' Report.