

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2022
with Summarized Comparative Information for the year ended
June 30, 2021

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 - 22
SUPPLEMENTARY INFORMATION	
Schedule of Income and Expenses by Department	24

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, 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.

Emphasis of Matter - Contingencies

As discussed in Note 12 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to impact Foundation operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

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 Sjögren's 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 24 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, 2022

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022 (with Comparative Information as of June 30, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 1,422,175	\$ 1,132,676
Accounts receivable, net of allowance	87,290	21,506
Inventory	7,239	5,610
Prepaid expenses	<u>10,392</u>	<u>20,396</u>
TOTAL CURRENT ASSETS	<u>1,527,096</u>	<u>1,180,188</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>68,022</u>	<u>108,268</u>
OTHER ASSETS		
Investments	1,159,015	1,265,330
Intangible assets - website development, net of accumulated depreciation	36,342	49,557
Deposits	<u>8,949</u>	<u>8,949</u>
TOTAL OTHER ASSETS	<u>1,204,306</u>	<u>1,323,836</u>
TOTAL ASSETS	<u>\$ 2,799,424</u>	<u>\$ 2,612,292</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 7,317	\$ 416
Grants payable	156,250	101,951
Accrued expenses	39,217	38,436
Deferred revenue	296,545	179,286
Deferred tenant allowance	22,396	22,396
Capital lease payable	54	4,174
Deferred rent	<u>11,052</u>	<u>8,118</u>
TOTAL CURRENT LIABILITIES	<u>532,831</u>	<u>354,777</u>
LONG TERM LIABILITIES		
Grants payable, net of current portion	125,000	589,500
Capital lease payable, net of current portion	-	54
Deferred rent, net of current portion	28,126	38,641
Deferred tenant allowance, net of current portion	<u>42,925</u>	<u>65,321</u>
TOTAL LONG TERM LIABILITIES	<u>196,051</u>	<u>693,516</u>
TOTAL LIABILITIES	<u>728,882</u>	<u>1,048,293</u>
NET ASSETS		
Without donor restrictions	1,069,646	563,103
With donor restrictions	<u>1,000,896</u>	<u>1,000,896</u>
TOTAL NET ASSETS	<u>2,070,542</u>	<u>1,563,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,799,424</u>	<u>\$ 2,612,292</u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022 (with Summarized Comparative Information for the year ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 1,943,465	\$ -	\$ 1,943,465	\$ 1,812,953
Special events, net of direct costs	279,840	-	279,840	275,973
Membership dues	251,598	-	251,598	255,824
Conferences	236,301	-	236,301	146,558
Bequests and planned giving	128,130	-	128,130	170,007
Product sales	47,381	-	47,381	20,636
Other	27,435	-	27,435	241,562
Newsletter	26,517	-	26,517	24,871
Royalties	2,800	-	2,800	791
Donated revenue	-	-	-	34,934
Investment income	(91,571)	-	(91,571)	104,062
TOTAL SUPPORT AND REVENUE	2,851,896	-	2,851,896	3,088,171
EXPENSES				
Program	2,021,533	-	2,021,533	2,570,127
Management and general	117,512	-	117,512	154,125
Fundraising	206,308	-	206,308	241,092
TOTAL EXPENSES	2,345,353	-	2,345,353	2,965,344
CHANGE IN NET ASSETS	506,543	-	506,543	122,827
NET ASSETS, beginning of year	563,103	1,000,896	1,563,999	1,441,172
NET ASSETS, end of year	\$ 1,069,646	\$ 1,000,896	\$ 2,070,542	\$ 1,563,999

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022 (with Summarized Comparative Information for the year ended June 30, 2021)

	2022			2021	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 1,117,769	\$ 54,945	\$ 93,306	\$ 1,266,020	\$ 1,366,461
Payroll taxes	72,662	3,572	6,066	82,300	95,043
Employee benefits	109,964	5,761	9,180	124,905	162,181
Accounting	-	31,736	-	31,736	30,578
Amortization	11,668	573	974	13,215	13,215
Awards	2,357	117	197	2,671	5,280
Awareness activities	74,556	-	-	74,556	65,855
Audio and visual	19,130	-	-	19,130	13,800
Bad debt	-	-	-	-	1,020
Bank and credit card fees	14,595	-	25,148	39,743	36,668
Contracted services	32,019	-	2,750	34,769	52,122
Depreciation	24,827	1,221	2,073	28,121	31,596
Dues, subscriptions and registration fees	2,343	89	24,450	26,882	26,247
Equipment rental	13,578	667	1,133	15,378	18,323
Food and beverage	179	49	-	228	491
Insurance	16,071	791	1,342	18,204	11,013
Legal	-	9,184	-	9,184	36,584
Maintenance and repairs	14,104	693	1,177	15,974	43,082
Miscellaneous	42,028	816	3,232	46,076	16,482
Payroll processing fees	7,299	358	609	8,266	9,683
Postage and delivery	59,784	1,448	12,095	73,327	65,006
Printing, duplicating and office supplies	61,148	831	14,663	76,642	93,271
Product costs	17,990	-	-	17,990	4,643
Rent	78,911	3,879	6,587	89,377	88,280
Research grants	193,755	-	-	193,755	654,300
Staff development	12,139	-	-	12,139	2,000
Telephone	15,884	782	1,326	17,992	18,711
Travel	6,773	-	-	6,773	3,409
TOTAL EXPENSES	\$ 2,021,533	\$ 117,512	\$ 206,308	\$ 2,345,353	\$ 2,965,344

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.**STATEMENT OF CASH FLOWS****Year Ended June 30, 2022 (with Comparative Information for the year ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 2,994,942	\$ 2,669,474
Interest and dividends	17,782	11,922
	<u>3,012,724</u>	<u>2,681,396</u>
Cash used in operations		
Payment to suppliers and employees	<u>2,716,013</u>	<u>2,458,945</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>296,711</u>	<u>222,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	-	(8,723)
Purchase of investments	(137,295)	(89,213)
Sale of investments	134,257	-
	<u>(3,038)</u>	<u>(97,936)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,038)</u>	<u>(97,936)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(4,174)</u>	<u>(4,098)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	289,499	120,417
CASH AND RESTRICTED CASH, beginning of year	<u>1,132,676</u>	<u>1,012,259</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 1,422,175</u>	<u>\$ 1,132,676</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized loss (gain) in market value of investments	\$ 114,493	\$ (92,140)
(Decrease) increase in investment value	<u>(114,493)</u>	<u>92,140</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022 (with Comparative Information for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 506,543</u>	<u>\$ 122,827</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Forgiveness of Paycheck Protection Program loan	-	(211,800)
Realized and unrealized losses (gains) on investments	109,353	(92,140)
Depreciation and amortization	41,336	44,811
Loss on disposal of assets	12,125	1,424
Non-cash occupancy costs	<u>(29,977)</u>	<u>(28,189)</u>
NET ADJUSTMENTS	<u>132,837</u>	<u>(285,894)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable, net of allowance	(65,784)	97,968
Inventory	(1,629)	375
Prepaid expenses	<u>10,004</u>	<u>12,486</u>
	<u>(57,409)</u>	<u>110,829</u>
LIABILITIES		
Accounts payable	6,901	(1,840)
Grants payable	(410,201)	432,703
Accrued expenses	781	9,695
Deferred revenue	<u>117,259</u>	<u>(165,869)</u>
	<u>(285,260)</u>	<u>274,689</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(342,669)</u>	<u>385,518</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 296,711</u></u>	<u><u>\$ 222,451</u></u>

See Notes to Financial Statements.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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, 2021, 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, 2022 and 2021. The Foundation considers cash and money market funds held within brokered accounts as investments.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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, \$29,733 had been amortized.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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, 2022 and 2021.

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, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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, 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.

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, 2022 and 2021.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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

The Foundation has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* modifying ASC section 958. This change has been applied as of June 30, 2022, with no effect on beginning net asset balances.

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.

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, 2023 are as follows:

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

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

Significant Accounting Policies (Continued)

Liquidity and Availability of Assets (continued)

Financial Assets	
Cash	\$ 1,422,175
Accounts receivable, net of allowance	87,290
Investments	1,159,015
Total Financial assets	<u>2,668,480</u>
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>\$ 1,667,584</u></u>

2. CASH

Cash as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Checking	\$ 752,247	\$ 462,809
Savings	<u>669,928</u>	<u>669,867</u>
	<u><u>\$ 1,422,175</u></u>	<u><u>\$ 1,132,676</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 \$1,186,902 and \$908,694 as of June 30, 2022 and 2021, respectively. No restricted cash was recorded as of June 30, 2022 and 2021, respectively.

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2022 and 2021 as shown below:

	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, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

3. INVESTMENTS (CONTINUED)

	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 665,857	\$ 665,857	\$ -
Exchange-traded funds			
Mid-cap blend	17,871	37,243	19,372
Large blend	133,091	192,627	59,536
Mutual funds			
Mid cap growth	19,208	30,717	11,509
High yield bond	27,132	27,852	720
Intermediate term bond	85,103	86,858	1,755
Foreign large growth	44,946	53,800	8,854
Ultrashort bond	30,000	30,024	24
World bond	85,231	84,850	(381)
Foreign small/mid growth	52,207	55,502	3,295
	<u>\$ 1,160,646</u>	<u>\$ 1,265,330</u>	<u>\$ 104,684</u>

Recorded investment income, including interest on cash accounts for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Interest and dividends	\$ 24,989	\$ 19,535
Realized and unrealized gains	(109,353)	91,102
Investment management fees	(7,207)	(6,575)
	<u>\$ (91,571)</u>	<u>\$ 104,062</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).

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

4. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2022 and 2021:

	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, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

4. FAIR VALUE MEASUREMENTS (CONTINUED)

	2021	
	Fair Value	Level 1
Cash and money market funds	\$ 665,857	\$ 665,857
Exchange traded funds		
Mid-cap blend	37,243	37,243
Large blend	192,627	192,627
Mutual funds		
Mid cap growth	30,717	30,717
High yield bond	27,852	27,852
Intermediate term bond	86,858	86,858
Foreign large growth	53,800	53,800
Ultrashort bond	30,024	30,024
World bond	84,850	84,850
Foreign small/mid growth	55,502	55,502
	<u>\$ 1,265,330</u>	<u>\$ 1,265,330</u>

Subsequent to the fiscal year end, the value of the investments within the Foundation's investment portfolio declined 2.52% as a result of market fluctuation; however, the Foundation does not consider these investments to be other-than-temporarily impaired.

5. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2022 and 2021 is as follows:

	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>	

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

5. PROPERTY AND EQUIPMENT (CONTINUED)

	June 30, 2021			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 69,471	\$ 5,112	\$ 54,074	5-7
Equipment under capital lease	37,493	4,099	32,370	5
Leasehold improvements	166,103	22,385	78,355	7
	<u>\$ 273,067</u>	<u>\$ 31,596</u>	<u>\$ 164,799</u>	

6. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Dues collected in advance	\$ 211,688	\$ 107,097
Sponsorships and fees for future events	48,793	-
Advertising fees collected in advance	21,000	-
Other	15,064	72,189
	<u>\$ 296,545</u>	<u>\$ 179,286</u>

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:

	2022			
	Balance at June 30, 2021	Revenue and Support	Released	Balance at June 30, 2022
Kozel Bequest - Research	<u>\$ 1,000,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,896</u>
	2021			
	Balance at June 30, 2020	Revenue and Support	Released	Balance at June 30, 2021
Kozel Bequest - Research	<u>\$ 1,000,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,896</u>

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

8. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2022 and 2021 is presented in the accompanying financial statements as follows:

	2022	2021
Walkabouts and Sips events support and revenue	\$ 298,847	\$ 293,149
Walkabouts and Sips events direct costs	(19,007)	(17,176)
	<u>\$ 279,840</u>	<u>\$ 275,973</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, 2022 and 2021, the Foundation contributed 3% of the employees' annual salary in the amount of \$24,975 and \$28,796, respectively.

10. DONATED SERVICES

The Foundation receives donated professional for legal services. These donated professional fees have been recorded in the financial statements at their estimated fair value under the statement of activities. Due to the nature of these nonfinancial assets, the services were utilized in the period they were received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated services consist of current market rates for services received.

Donated services related to legal services totaled \$0 and \$34,934 for the years ended June 30, 2022 and 2021, respectively.

11. 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 expense for the years ended June 30, 2022 and 2021 was \$89,377 and \$88,280, respectively.

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

2023	\$ 120,017
2024	123,018
2025	115,456
	<u>\$ 358,491</u>

SJÖGREN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 (with Comparative Information as of and for the year ended June 30, 2021)

11. COMMITMENTS (CONTINUED)

Employment Commitment

The Foundation has an agreement for employment for the Chief Executive Officer in which it could be required to pay severance of \$50,833 in the event the agreement is terminated for any reason other than "for cause."

12. CONTINGENCIES - COVID-19 CORONAVIRUS

Citizens and the economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Foundation operations because the disease's severity and duration are uncertain, 2023 results of operations may be significantly impacted. No pandemic implications are accounted for in these financial statements.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2022, 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, 2022

	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
SUPPORT AND REVENUE											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,243	\$ 908,155	\$ 968,067	\$ -	\$ -	\$ 1,943,465
Bequests and planned giving	-	-	-	-	-	-	-	128,130	-	-	128,130
Membership dues	-	-	-	-	-	-	251,598	-	-	-	251,598
Special events, net of direct costs	-	-	-	-	-	-	-	279,840	-	-	279,840
Conferences	-	-	-	236,301	-	-	-	-	-	-	236,301
Newsletter	-	-	26,517	-	-	-	-	-	-	-	26,517
Product sales	-	-	-	-	47,381	-	-	-	-	-	47,381
Investment income	(91,571)	-	-	-	-	-	-	-	-	-	(91,571)
Other	6,768	-	-	-	-	-	-	20,667	-	-	27,435
Royalties	-	-	-	-	2,800	-	-	-	-	-	2,800
TOTAL SUPPORT AND REVENUE	(84,803)	-	26,517	236,301	50,181	67,243	1,159,753	1,396,704	-	-	2,851,896
EXPENSES											
Salaries	54,945	25,574	80,013	116,347	24,687	209,020	258,521	93,306	48,489	355,118	1,266,020
Payroll taxes	3,572	1,662	5,201	7,563	1,605	13,588	16,806	6,066	3,152	23,085	82,300
Employee benefits	5,761	2,515	7,871	11,446	2,429	20,563	25,433	9,180	4,771	34,936	124,905
Accounting	31,736	-	-	-	-	-	-	-	-	-	31,736
Amortization	573	267	835	1,214	258	2,182	2,699	974	506	3,707	13,215
Audio visual	-	-	-	19,130	-	-	-	-	-	-	19,130
Awards	117	54	169	245	52	441	545	197	102	749	2,671
Awareness activities	-	-	-	-	-	-	-	-	-	74,556	74,556
Bank and credit card fees	-	-	689	6,139	1,231	-	6,536	25,148	-	-	39,743
Contracted services	-	-	11,651	2,330	-	2,330	8,297	2,750	-	7,410	34,769
Depreciation	1,221	568	1,777	2,584	548	4,643	5,742	2,073	1,077	7,888	28,121
Dues, subscriptions and registration fees	89	41	130	189	40	869	419	24,450	79	576	26,882
Equipment rental	667	311	972	1,413	300	2,539	3,140	1,133	589	4,314	15,378
Food and beverage	49	-	-	-	-	-	179	-	-	-	228
Insurance	791	368	1,150	1,673	355	3,005	3,717	1,342	697	5,106	18,204
Legal services donated	9,184	-	-	-	-	-	-	-	-	-	9,184
Maintenance and repairs	693	323	1,010	1,468	311	2,637	3,262	1,177	612	4,481	15,974
Miscellaneous	816	379	1,187	1,726	366	26,564	4,820	3,232	1,719	5,267	46,076
Payroll processing	358	167	522	760	161	1,365	1,688	609	317	2,319	8,266
Postage and delivery	1,448	674	32,448	3,065	650	5,506	6,810	12,095	1,277	9,354	73,327
Printing, duplicating and office supplies	831	388	45,427	1,762	374	3,167	3,916	14,663	735	5,379	76,642
Product costs	-	-	-	-	17,990	-	-	-	-	-	17,990
Rent	3,879	1,805	5,649	8,214	1,743	14,756	18,251	6,587	3,423	25,070	89,377
Research grants	-	-	-	-	-	193,755	-	-	-	-	193,755
Staff development	-	12,139	-	-	-	-	-	-	-	-	12,139
Telephone	782	363	1,137	1,653	351	2,970	3,674	1,326	689	5,047	17,992
Travel	-	4,541	-	-	-	-	2,232	-	-	-	6,773
TOTAL EXPENSES	117,512	52,139	197,838	188,921	53,451	509,900	376,687	206,308	68,234	574,362	2,345,353
CHANGE IN NET ASSETS	\$ (202,315)	\$ (52,139)	\$ (171,321)	\$ 47,380	\$ (3,270)	\$ (442,657)	\$ 783,066	\$ 1,190,396	\$ (68,234)	\$ (574,362)	\$ 506,543

See Independent Auditors' Report.