

# American College of Rheumatology, Inc.

---

**Financial Statements**

**Years Ended June 30, 2017 and 2016**

## **Table of Contents**

<b>Independent Auditors' Report</b> .....	<b>1</b>
<b>Financial Statements:</b>	
Balance Sheets .....	<b>3</b>
Statements of Comprehensive Income .....	<b>4</b>
Statements of Equity .....	<b>5</b>
Statements of Cash Flows.....	<b>7</b>
Notes to Financial Statements .....	<b>8</b>

## **Independent Auditors' Report**

The Board of Directors  
American College of Rheumatology, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of American College of Rheumatology, Inc. (the "College") as of June 30, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years 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 the 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 the 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 audits. We conducted our audits 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 the College as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Atlanta, Georgia**  
**October 7, 2017**

**American College of Rheumatology, Inc.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 4,661,395	\$ 6,860,027
Investments	30,558,682	27,309,345
Accounts receivable	5,111,979	2,813,454
Deposits and other assets	456,743	662,206
Property and equipment, net	7,590,683	7,631,323
	<u>48,379,482</u>	<u>45,276,355</u>
Total assets	<u>\$ 48,379,482</u>	<u>\$ 45,276,355</u>
Liabilities:		
Subscriptions payable	\$ 420,705	\$ 400,734
Accounts payable and accrued expenses	4,741,092	1,523,828
Other liabilities	58,428	21,973
Deferred revenue	8,789,904	5,901,667
Total liabilities	<u>14,010,129</u>	<u>7,848,202</u>
Net assets:		
Unrestricted:		
Designated for:		
Board-designated activities	26,678,670	29,696,830
Property and equipment	7,590,683	7,631,323
Undesignated	100,000	100,000
Total net assets	<u>34,369,353</u>	<u>37,428,153</u>
	<u>\$ 48,379,482</u>	<u>\$ 45,276,355</u>
Total liabilities and net assets	<u>\$ 48,379,482</u>	<u>\$ 45,276,355</u>

**American College of Rheumatology, Inc.**  
**Statements of Activities**  
**Years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 13,735,043	\$ 13,172,796
Royalties	5,011,784	6,547,057
Membership dues	1,947,477	1,923,899
Sales	77,259	82,962
Gifts and grants	7,168,413	4,823,623
Investment and interest income	710,305	665,072
Net realized and unrealized (losses) gains on investments	2,510,380	(1,018,734)
Other	2,134,915	2,337,239
	<u>33,295,576</u>	<u>28,533,914</u>
Program services:		
Annual Meeting Education	6,339,029	6,187,509
Professional education	1,908,336	1,877,794
Rheumatology training	1,321,330	1,384,897
Musculoskeletal Ultrasound Certification (RhMSUS)	92,191	105,465
Association of Rheumatology Health Professionals (ARHP)	1,334,217	1,219,986
A&R Journal	1,192,989	1,150,756
Communications	1,396,749	1,374,497
Committee on Rheumatologic Care (CORC)	718,222	731,155
Government affairs	1,155,688	1,050,447
Research	250,873	346,744
Quality	1,473,905	1,080,019
Registry	1,113,986	1,096,316
Collaborative projects	1,797,262	1,591,012
Contribution to Foundation	7,500,000	500,000
	<u>27,594,777</u>	<u>19,696,597</u>
Total program services	27,594,777	19,696,597
Supporting services – management and general	<u>8,759,599</u>	<u>8,234,321</u>
Total expenses	<u>36,354,376</u>	<u>27,930,918</u>
Change in net assets	(3,058,800)	602,996
Net assets at beginning of year	<u>37,428,153</u>	<u>36,825,157</u>
Net assets at end of year	<u>\$ 34,369,353</u>	<u>\$ 37,428,153</u>

**American College of Rheumatology, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	Program Services														Supporting	Total	
	Annual Meeting Education	Professional Education	Rheumatology Training	RhMSUS	ARHP	A&R Journal	Communi- cations	CORC	Government Affairs	Research	Quality	Registry	Collaborative Projects	Foundation	Total		Management and General
Salaries and benefits	\$ 893,149	\$ 586,404	\$ 322,030	\$ 44,498	\$ 602,247	\$ 667,869	\$ 428,351	\$ 420,559	\$ 363,661	\$ 30,968	\$ 601,498	\$ 380,424	\$ 470,407	\$ -	\$ 5,812,065	5,507,943	\$ 11,320,008
Professional fees	1,896,577	378,756	419,243	27,727	427,457	409,566	752,912	37,866	419,935	71,706	495,371	481,250	1,205,473	-	7,023,839	1,061,246	8,085,085
Conferences, conventions, and meetings	2,539,873	538,394	163,181	-	93,796	10,150	18,199	48,522	67,268	90,541	68,790	27,300	3,836	-	3,669,850	487,640	4,157,490
Travel	260,538	100,964	343,412	-	108,748	12,973	6,792	140,921	185,089	46,511	152,937	42,915	20,819	-	1,422,619	521,710	1,944,329
Postage, printing and publications	119,849	22,559	7,743	-	1,956	717	913	433	11,103	424	831	1,640	14,733	-	182,901	53,144	236,045
Occupancy	21,820	17,030	9,272	1,293	16,618	19,486	9,713	12,075	9,933	884	17,531	10,941	11,541	-	158,137	157,182	315,319
Supplies	94,340	120,422	21,279	1,966	32,316	30,866	16,489	19,289	17,652	1,411	32,092	18,457	38,601	-	445,180	283,621	728,801
Equipment maintenance and rental	33,507	7,323	4,361	346	4,454	5,225	2,604	3,239	2,665	237	4,704	2,962	3,095	-	74,722	42,146	116,868
Telephone	16,604	8,626	9,315	470	10,658	8,861	3,538	7,255	14,910	1,682	21,704	59,729	7,426	-	170,778	72,166	242,944
Depreciation	106,909	84,375	10,061	1,273	18,415	19,180	150,062	12,823	9,778	869	17,255	77,293	11,360	-	519,653	154,716	674,369
Training and educational materials	7,868	4,139	343	-	3,013	1,443	4,229	7,906	45,353	699	56,229	4,805	6,521	-	142,548	142,804	285,352
Insurance	40,655	4,777	2,599	13,156	4,659	5,465	2,722	3,387	2,785	248	4,914	3,068	3,236	-	91,671	44,341	136,012
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,247	8,247
Contribution to Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	7,500,000	7,500,000	-	7,500,000
Other	307,340	34,567	8,491	1,462	9,880	1,188	225	3,947	5,556	4,693	49	3,202	214	-	380,814	222,693	603,507
	<u>\$ 6,339,029</u>	<u>\$ 1,908,336</u>	<u>\$ 1,321,330</u>	<u>\$ 92,191</u>	<u>\$ 1,334,217</u>	<u>\$ 1,192,989</u>	<u>\$ 1,396,749</u>	<u>\$ 718,222</u>	<u>\$ 1,155,688</u>	<u>\$ 250,873</u>	<u>\$ 1,473,905</u>	<u>\$ 1,113,986</u>	<u>\$ 1,797,262</u>	<u>\$ 7,500,000</u>	<u>\$ 27,594,777</u>	<u>\$ 8,759,599</u>	<u>\$ 36,354,376</u>

See accompanying notes.

**American College of Rheumatology, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

	Program Services													Supporting Services		Total 2016	
	Annual Meeting Education	Professional Education	Rheumatology Training	RhMSUS	ARHP	A&R Journal	Communications	CORC	Government Affairs	Research	Quality	Registry	Collaborative Projects	Foundation	Total		Management and General
Salaries and benefits	\$ 872,184	\$ 599,465	\$ 244,142	\$ 56,354	\$ 582,260	\$ 644,170	\$ 432,736	\$ 402,130	\$ 329,817	\$ 54,797	\$ 583,184	\$ 319,098	\$ 359,997	\$ -	\$ 5,480,334	\$ 5,266,257	\$ 10,746,591
Professional fees	1,695,999	608,319	370,232	27,291	338,683	394,277	640,974	35,611	365,336	50,178	222,175	559,129	1,063,854	-	6,372,058	896,978	7,269,036
Conferences, conventions, and meetings	2,696,550	313,297	185,867	-	91,599	6,266	22,809	45,825	81,496	150,563	41,764	10,667	11,479	-	3,658,182	430,045	4,088,227
Travel	229,572	104,142	522,439	-	104,831	7,765	6,577	164,605	154,472	37,135	78,184	37,271	32,130	-	1,479,123	456,738	1,935,861
Postage, printing and publications	116,790	24,123	4,958	2	3,882	2,050	3,509	1,370	10,344	253	715	905	16,919	-	185,820	34,386	220,205
Occupancy	22,201	18,310	7,596	1,761	16,662	19,956	9,662	12,265	9,768	1,693	17,812	9,846	10,768	-	158,340	166,073	324,413
Supplies	89,531	93,658	12,448	2,732	28,077	31,613	16,773	22,005	18,371	2,819	28,727	17,692	23,338	-	387,784	281,640	669,424
Equipment maintenance and rental	34,152	5,133	1,948	452	4,279	5,119	3,456	3,146	2,512	433	4,568	2,515	2,791	-	70,504	43,676	114,180
Telephone and internet services	13,498	12,907	12,250	728	14,398	10,666	3,997	8,151	16,252	2,204	20,921	45,193	7,621	-	168,786	79,544	248,330
Depreciation	135,779	32,903	13,561	1,825	17,289	20,690	117,299	14,588	10,153	1,752	18,464	76,842	11,430	-	472,575	169,652	642,227
Training and educational materials	6,365	8,430	3,679	-	3,499	1,377	7,993	4,778	44,516	-	58,483	5,358	14,057	-	158,535	133,708	292,243
Insurance	47,075	5,113	2,132	12,741	4,649	5,577	2,695	3,418	2,739	473	4,979	3,134	3,462	-	98,187	44,144	142,331
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,852
Contribution to Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000	500,000	-	500,000
Other	227,813	51,994	3,645	1,579	9,858	1,230	106,017	13,263	4,651	44,444	43	8,666	33,166	-	506,369	218,628	724,998
	<u>\$ 6,187,509</u>	<u>\$ 1,877,794</u>	<u>\$ 1,384,897</u>	<u>\$ 105,465</u>	<u>\$ 1,219,986</u>	<u>\$ 1,150,756</u>	<u>\$ 1,374,497</u>	<u>\$ 731,155</u>	<u>\$ 1,050,447</u>	<u>\$ 346,744</u>	<u>\$ 1,080,019</u>	<u>\$ 1,096,316</u>	<u>\$ 1,591,012</u>	<u>\$ 500,000</u>	<u>\$ 19,696,597</u>	<u>\$ 8,234,321</u>	<u>\$ 27,930,918</u>

See accompanying notes.



**American College of Rheumatology, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,058,800)	\$ 602,996
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	674,369	642,227
Loss on disposal of fixed assets	-	105,981
Net realized and unrealized (gains) losses on investments	(2,510,380)	1,018,734
Change in assets and liabilities:		
Accounts receivable	(2,298,525)	(218,555)
Deposits and other assets	205,463	(210,485)
Subscriptions payable	19,971	14,766
Accounts payable and accrued expenses	3,217,264	54,155
Other liabilities	36,455	(3,396)
Deferred revenue	2,888,237	853,365
Net cash (used in) provided by operating activities	<u>(825,946)</u>	2,859,788
Cash flows from investing activities:		
Purchases of property and equipment	(633,729)	(782,318)
Purchases of investments	(33,754,861)	(17,093,403)
Proceeds from sale of investments	33,015,904	16,412,696
Net cash used in investing activities	<u>(1,372,686)</u>	(1,463,025)
Net change in cash and cash equivalents	<u>(2,198,632)</u>	1,396,763
Cash and cash equivalents at beginning of the year	<u>6,860,027</u>	<u>5,463,264</u>
Cash and cash equivalents at end of the year	<u>\$ 4,661,395</u>	<u>\$ 6,860,027</u>

## **Notes to Financial Statements**

### **1. Description of Organization**

The American College of Rheumatology, Inc. (the "College") is an organization of and for physicians, health professionals, and scientists. The College advances rheumatology through programs of education, research, and advocacy and practice support that foster excellence in the care of people with arthritic, rheumatic and musculoskeletal diseases.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of accounting***

The financial statements of the College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis of presentation***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The College's net assets are not subject to donor-imposed stipulations and have been classified as unrestricted in the accompanying financial statements. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. The Board of Directors of the College has internally designated funds for possible future operating contingencies that may require funding, long-term investment, and ongoing replacement of fixed assets.

#### ***Cash and cash equivalents***

Cash equivalents include money market funds and other highly liquid investments with original maturities of three months or less when purchased. The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced losses in such accounts.

#### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. These securities consist primarily of investments in equity securities, equity funds, bond mutual funds, mortgage-backed securities, corporate bonds, foreign government bonds, and U.S. treasury notes. Investment income is recognized when earned.

#### ***Property and equipment***

Property and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years for equipment and 40 years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

---

***Deferred revenue***

Deferred revenue consists primarily of member dues, exhibit fees, registrations, and grant income. The funds are recognized as revenue when earned.

***Revenue recognition***

Revenue from member dues is recognized ratably over the duration of the membership term. Exhibit fees and registrations are recognized when the event occurs. Grant income is recognized according to the terms of the grant.

***Functional expenses***

Expenses which relate to more than one functional purpose are allocated among functions based on procedures that determine the portion of the cost related to each function.

***Use of estimates***

Management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

***Fair value measurements***

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The College utilizes market data or assumptions that market participants would use in pricing the asset or liability. Accounting literature establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - defined as observable inputs such as quoted prices in active markets;

Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3 - defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

***Subsequent events***

The College evaluated the effect subsequent events would have on the financial statements from July 1, 2017 through October 7, 2017, which is the date the financial statements were available to be issued. During that period, the College did not have any material recognizable subsequent events.

***Adoption of New Accounting Standards Update***

During 2017, the College adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes certain disclosures and the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value ("NAV") per share practical expedient provided by ASC 820, *Fair Value Measurement*.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

---

***Reclassifications***

Certain reclassifications have been made to the June 30, 2016 financial statements included here to conform to the June 30, 2017 presentation. These classifications had no effect on the financial position, results of operations, or cash flows of the College.

**3. Income Taxes**

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(6) whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. During 2017 and 2016, the College recorded tax expense of \$8,247 and \$12,852 from unrelated business income. The College has paid the related taxes for the unrelated business income activity, and there are no significant deferred tax assets or liabilities as of June 30, 2017 or 2016.

The College has evaluated its tax positions and determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2017 and 2016, respectively.

**4. Investments**

The cost and fair value of investments at June 30 are as follows:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 2,961,144	\$ 2,961,144	\$ 1,339,571	\$ 1,339,571
Equity securities	3,481,094	4,239,180	3,573,006	3,979,328
Equity funds	12,241,089	13,948,479	13,635,659	13,412,756
Bond mutual funds	2,441,802	2,396,597	1,849,145	1,704,291
Mortgage-backed securities	115,319	89,455	342,783	302,638
Corporate bonds	6,792,341	6,733,091	6,022,515	6,125,375
Foreign government bonds	185,733	180,799	185,733	189,963
U.S. Treasury notes	9,989	9,937	255,393	255,423
Total	<u>\$ 28,228,511</u>	<u>\$ 30,558,682</u>	<u>\$ 27,203,805</u>	<u>\$ 27,309,345</u>

Prices for certain investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1. These include cash equivalents, mutual funds, equity securities, U.S. treasury notes, and corporate bonds.

The Level 2 investment securities include asset-backed securities for which quoted prices are not available in active markets for identical instruments. The College utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. The College did not hold any Level 3 securities as of June 30, 2017 and 2016.

The College's alternative investment funds are included in the equity funds line in table above and are measured at net asset value as a practical expedient for fair value and are accordingly excluded from the fair value hierarchy. These funds include ownership interests in a limited partnership that is a fund of funds. The recorded market price for the fund of fund investment is based on the net asset value of the College's investment in the limited partnership. Underlying assets of these investment funds include venture capital, international and

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

---

domestic private equity investments, absolute return (hedge) funds, and real estate. The fair value of funds held by the limited partnership is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions.

	<u>Fair Value at 6/30/2017</u>	<u>Fair Value at 6/30/2016</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iii)</u>
Mill Creek International Absolute Return Fund (i)	\$ 2,159,840	\$ 2,032,019	None	Initial 2 year lock-up period; period has lapsed	90 days' notice prior to last day of each 4 quarter period
Mill Creek International Strategic Return Fund (ii)	\$ 725,000	\$ 681,820	None	Initial 2 year lock-up period; period has lapsed	90 days' notice prior to last day of each 4 quarter period

- (i) The Mill Creek International Absolute Return Fund consists of 14 underlying funds. The fund's investment objectives are to generate returns with a premium to investment grade fixed income returns with limited correlation to traditional asset classes over a complete market cycle through investments in hedge funds and, to a more limited extent, closed-end funds and mutual funds. The fund maintains portfolio diversification by limiting allocation of the fund's net asset value to (1) 30% of any one investment strategy, (2) 20% to any one underlying fund, and (3) 25% to funds that primarily invest in private investments or investments where the manager of the underlying fund does not expect to receive regular third party pricing for a substantial portion of the respective portfolio.
- (ii) The Mill Creek International Absolute Strategic Fund consists of 17 underlying funds. The fund's investment objectives are to earn equity-like returns through investments in the underlying funds and, to a more limited extent, closed-end funds and mutual funds. The fund maintains portfolio diversification by limiting allocation of the fund's net asset value to (1) 30% of any one investment strategy, (2) 20% to any one underlying fund, and (3) 20% to funds that primarily invest in private investments or investments where the manager of the underlying fund does not expect to receive regular third party pricing for a substantial portion of the respective portfolio.
- (iii) If the aggregate amount requested by investors to be redeemed on any redemption date is greater than 50% of the net asset value of the total fund, the Fund Board may reduce the amount of shares to be redeemed pro rata among investors so that the aggregate amount to be withdrawn equals 50% of the net asset value of the fund.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the fair value of the assets and their placement within the fair value hierarchy levels.

The following table sets forth by level, within the fair value hierarchy, the College's financial assets accounted for at fair value on a recurring basis as of June 30, 2017 and 2016.

	Fair Value at June 30, 2017	Asset at Fair Value as of June 30, 2017		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents in money market accounts	\$ 2,961,144	\$ 2,961,144	\$ -	\$ -
Equity securities:				
Domestic common stock	2,716,736	2,716,736	-	-
Foreign common stock	1,522,444	1,522,444	-	-
Equity and bond mutual funds:				
Large-cap equity funds	3,104,340	3,104,340	-	-
International equity fund	4,139,941	4,139,941	-	-
Domestic equity index fund	3,819,358	3,819,358	-	-
Fixed income fund	2,396,597	2,396,597	-	-
Mortgage-backed securities	89,455	-	89,455	-
Corporate bonds	6,733,091	6,733,091	-	-
Foreign government bonds	180,799	180,799	-	-
U.S treasury notes	9,937	9,937	-	-
Total assets in the fair value hierarchy	27,673,842	<u>\$ 27,584,387</u>	<u>\$ 89,455</u>	<u>\$ -</u>
Investments at NAV (a)	<u>2,884,840</u>			
Total investments at fair value	<u>\$ 30,558,682</u>			

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

	Fair Value at June 30, 2016	Asset at Fair Value as of June 30, 2016		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents in money market accounts	\$ 1,339,571	\$ 1,339,571	\$ -	\$ -
Equity securities:				
Domestic common stock	2,561,732	2,561,732	-	-
Foreign common stock	1,417,596	1,417,596	-	-
Equity and bond mutual funds:				
Large-cap equity funds	2,915,732	2,915,732	-	-
International equity fund	4,054,539	4,054,539	-	-
Domestic equity index fund	3,728,646	3,728,646	-	-
Fixed income fund	1,704,291	1,704,291	-	-
Mortgage-backed securities	302,638	-	302,638	-
Corporate bonds	6,125,375	6,125,375	-	-
Foreign government bonds	189,963	189,963	-	-
U.S treasury notes	<u>255,423</u>	<u>255,423</u>	-	-
Total assets in the fair value hierarchy	24,595,506	<u>\$ 24,292,868</u>	<u>\$ 302,638</u>	<u>\$ -</u>
Investments at NAV (a)	<u>2,713,839</u>			
Total investments at fair value	<u>\$ 27,309,345</u>			

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

**5. Accounts Receivable**

Accounts receivable include grants and unconditional promises to give that are due to the College. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional revenue in accordance with donor-imposed restrictions on the contributions, if any.

At June 30, 2017 and 2016, all accounts receivable amounts were expected to be collected within one year. As such, there was no unamortized discount associated with accounts receivable.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

---

**6. Property and Equipment**

A summary of property and equipment at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 972,195	\$ 972,195
Buildings	5,916,440	5,916,440
Furniture and equipment	277,998	935,890
IT Infrastructure	755,127	-
Software In Use	<u>3,141,580</u>	<u>2,682,681</u>
	<u>11,063,340</u>	<u>10,507,206</u>
Less accumulated depreciation and amortization	<u>3,663,927</u>	<u>2,989,561</u>
Net depreciable property and equipment	7,399,413	7,517,645
Software development	<u>191,270</u>	<u>113,678</u>
Property and equipment, net	<u>\$ 7,590,683</u>	<u>\$ 7,631,323</u>

**7. Line of Credit**

During 2017, the College obtained an open end revolving line of credit with a maximum loan amount of \$1,500,000 plus interest at the 30 day LIBOR rate plus 2.25%. No amounts were drawn on the line in 2017.

**8. Employee Benefit Plans**

The College has a defined contribution retirement plan, covering substantially all of its employees. Retirement expense totaled \$638,289 and \$613,932 in 2017 and 2016, respectively. Retirement expense is included as salaries and benefits expense on the statements of functional expenses.

The College has a 457(b) deferred compensation plan for an officer of the organization. The deferred compensation liability totaled \$155,293 and \$123,336 as of June 30, 2017 and 2016, respectively, and is included with accounts payable and accrued expenses on the accompanying statements of financial position.

**9. Related Party Transactions**

The College provides management and administrative services to the Rheumatology Research Foundation (the "Foundation"). Management fees charged by the College to the Foundation totaled \$2,101,628 and \$2,299,645 in 2017 and 2016, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2017 and 2016 is \$509,795 and \$329,294, respectively, due from the Foundation.

The College made a \$7.5 million contribution to the Foundation in support of the new multi-year campaign in December 2016. During FY2017 the Board of Directors authorized payment to the Foundation totaling \$4.7 million. Included in accounts payable and accrued expenses at June 30, 2017 is \$2,800,000 due to the Foundation for the remaining balance due on the contribution. The "Campaign for Rheumatology Research



Foundation” encompasses programmatic funding objectives to increase Patient Access to Care and Accelerate Discovery and is considered unrestricted.

## **10. Subscriptions Payable and Royalty Income**

The College has an agreement with John Wiley & Sons, Inc. (the “Publisher”) whereby the Publisher produces the *A&R Journal* publication and the *AC&R* publication, and the College collects the subscription payments on behalf of the Publisher. Of the subscription payments collected by the College, \$420,705 and \$400,734 are due to the Publisher as of June 30, 2017 and 2016, respectively. These amounts are reflected as a liability in the accompanying statements of financial position. The College also receives royalties from the Publisher. Royalty income related to these publications totaled \$3,554,593 and \$4,755,749 in 2017 and 2016, respectively.

## **11. Political Action Committee**

In March 2007, the College formed RheumPAC, a political action committee defined under Section 527 of the Internal Revenue Code. RheumPAC is registered with the Federal Election Commission and advocates exclusively on behalf of rheumatologists, rheumatology related health professionals, and rheumatic diseases. RheumPAC supports candidates that advance those needs and engages physicians and health professionals in political action. All contributions made to RheumPAC will be used to support congressional candidates. Administrative costs are paid for by the College.