

American College of Rheumatology, Inc.

Financial Statements

Years Ended June 30, 2018 and 2017

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Independent Auditors' Report

The Board of Directors
American College of Rheumatology, Inc.

We have audited the accompanying statements of financial position of American College of Rheumatology, Inc. (the "College") as of June 30, 2018 and 2017 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, 2018 and 2017, 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 6, 2018**

American College of Rheumatology, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 7,617,760	\$ 4,661,395
Investments	31,305,199	30,558,682
Accounts receivable	4,711,051	5,111,979
Deposits and other assets	606,273	456,743
Property and equipment, net	<u>7,696,799</u>	<u>7,590,683</u>
Total assets	<u>\$ 51,937,082</u>	<u>\$ 48,379,482</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Subscriptions payable	\$ 426,989	\$ 420,705
Accounts payable and accrued expenses	4,705,863	4,741,092
Other liabilities	71,962	58,428
Deferred revenue	<u>8,956,399</u>	<u>8,789,904</u>
Total liabilities	<u>14,161,213</u>	<u>14,010,129</u>
Net assets:		
Unrestricted:		
Designated for:		
Board-designated activities	29,979,070	26,678,670
Property and equipment	7,696,799	7,590,683
Undesignated	<u>100,000</u>	<u>100,000</u>
Total unrestricted net assets	<u>37,775,869</u>	<u>34,369,353</u>
Total liabilities and net assets	<u>\$ 51,937,082</u>	<u>\$ 48,379,482</u>

American College of Rheumatology, Inc.
Statements of Activities
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 13,306,037	\$ 13,726,710
Royalties	5,123,409	5,011,784
Membership dues	1,943,576	1,947,477
Subscription Income	376,480	8,333
Sales	116,638	77,259
Gifts and grants	7,057,051	7,168,413
Investment and interest income	685,585	710,305
Net realized and unrealized gains on investments	1,244,188	2,510,380
Other	2,493,323	2,134,915
	<u>32,346,287</u>	<u>33,295,576</u>
Total revenue		
Program services:		
Annual Meeting Education	5,932,609	6,339,029
Professional education	1,727,686	1,908,336
Rheumatology training	1,266,185	1,321,330
Musculoskeletal Ultrasound Certification (RhMSUS)	130,856	92,191
Association of Rheumatology Health Professionals (ARHP)	1,357,112	1,334,217
A&R Journal	1,208,428	1,192,989
Open Access	3,675	-
Communications	1,371,820	1,396,749
Committee on Rheumatologic Care (CORC)	790,627	718,222
Government affairs	1,143,397	1,155,688
Research	285,636	250,873
Quality	1,663,641	1,473,905
Registry	1,360,418	1,113,986
Collaborative projects	1,659,021	1,797,262
Contribution to Foundation	-	7,500,000
	<u>19,901,111</u>	<u>27,594,777</u>
Total program services		
Supporting services – management and general	<u>9,038,660</u>	<u>8,759,599</u>
Total expenses	<u>28,939,771</u>	<u>36,354,376</u>
Change in net assets	3,406,516	(3,058,800)
Net assets at beginning of year	<u>34,369,353</u>	<u>37,428,153</u>
Net assets at end of year	<u>\$ 37,775,869</u>	<u>\$ 34,369,353</u>

American College of Rheumatology, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services														Supporting	Total	
	Annual Meeting Education	Professional Education	Rheumatology Training	RhMSUS	ARHP	A&R Journal	Open Access	Communi- cations	CORC	Government Affairs	Research	Quality	Registry	Collaborative Projects	Total		Management and General
Salaries and benefits	\$ 894,990	\$ 617,592	\$ 265,294	\$ 64,636	\$ 652,716	\$ 676,076	\$ -	\$ 403,114	\$ 426,399	\$ 468,522	\$ 84,001	\$ 637,686	\$ 459,311	\$ 426,267	\$ 6,076,604	5,537,661	\$ 11,614,265
Professional fees	1,720,100	337,805	379,620	37,595	402,191	410,619	3,675	690,601	65,770	281,043	43,011	670,427	705,454	1,034,479	6,782,390	1,154,378	7,936,768
Conferences, conventions, and meetings	2,295,341	327,200	216,453	1,812	80,710	6,968	-	26,166	58,194	73,458	83,825	59,339	16,154	3,199	3,248,819	491,761	3,740,580
Travel	236,714	108,292	326,994	4,758	93,762	12,346	-	10,182	158,651	182,810	53,730	134,269	32,501	19,880	1,374,889	529,367	1,904,256
Postage, printing and publications	94,979	11,839	10,395	28	4,452	142	-	1,302	711	11,707	552	962	1,930	6,422	145,421	52,755	198,176
Occupancy	21,369	17,703	7,611	1,834	17,258	19,363	-	9,852	11,856	13,282	2,379	18,382	13,147	31,117	185,153	156,547	341,700
Supplies	137,428	106,123	28,340	3,715	49,116	40,029	-	32,732	24,249	28,847	4,835	48,929	27,082	65,729	597,154	398,131	995,285
Equipment maintenance and rental	32,424	5,076	5,662	305	2,871	3,222	-	1,639	1,973	2,210	396	3,058	2,168	5,178	66,202	25,720	91,922
Telephone	11,123	7,873	5,067	646	8,721	7,770	-	3,302	7,849	13,908	2,333	13,631	12,948	12,617	107,788	64,742	172,530
Depreciation	92,846	135,844	9,391	2,263	25,409	23,890	-	160,784	14,627	16,388	2,934	22,676	82,744	38,392	628,188	190,709	818,897
Training and educational materials	4,955	11,351	5,359	-	1,686	906	-	29,090	12,922	43,324	625	48,678	1,545	6,210	166,651	122,107	288,758
Insurance	40,791	5,388	2,316	13,263	5,253	5,894	-	2,995	3,609	4,043	723	5,594	4,000	9,470	103,339	49,227	152,566
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,034)	(2,034)
Other	349,549	35,600	3,683	1	12,967	1,203	-	61	3,817	3,855	6,292	10	1,414	61	418,513	267,589	686,102
	<u>\$ 5,932,609</u>	<u>\$ 1,727,686</u>	<u>\$ 1,266,185</u>	<u>\$ 130,856</u>	<u>\$ 1,357,112</u>	<u>\$ 1,208,428</u>	<u>\$ 3,675</u>	<u>\$ 1,371,820</u>	<u>\$ 790,627</u>	<u>\$ 1,143,397</u>	<u>\$ 285,636</u>	<u>\$ 1,663,641</u>	<u>\$ 1,360,418</u>	<u>\$ 1,659,021</u>	<u>\$ 19,901,111</u>	<u>\$ 9,038,660</u>	<u>\$ 28,939,771</u>

See accompanying notes.

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

	Program Services													Supporting Services		Total 2017	
	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	16,457	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 and internet services	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.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,406,516	\$ (3,058,800)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	818,897	674,369
Net realized and unrealized gains on investments	(1,244,188)	(2,510,380)
Change in assets and liabilities:		
Accounts receivable	400,928	(2,298,525)
Deposits and other assets	(149,530)	205,463
Subscriptions payable	6,284	19,971
Accounts payable and accrued expenses	(35,229)	3,217,264
Other liabilities	13,534	36,455
Deferred revenue	166,495	2,888,237
Net cash provided by (used in) operating activities	<u>3,383,707</u>	<u>(825,946)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(925,013)	(633,729)
Purchases of investments	(28,320,008)	(33,754,861)
Proceeds from sale of investments	28,817,679	33,015,904
Net cash used in investing activities	<u>(427,342)</u>	<u>(1,372,686)</u>
Net change in cash and cash equivalents	2,956,365	(2,198,632)
Cash and cash equivalents at beginning of the year	<u>4,661,395</u>	<u>6,860,027</u>
Cash and cash equivalents at end of the year	<u>\$ 7,617,760</u>	<u>\$ 4,661,395</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, 2018 through October 6, 2018, 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.

Reclassifications

Certain reclassifications have been made to the June 30, 2017 financial statements included here to conform to the June 30, 2018 presentation. These classifications had no effect on the financial position, results of operations, or cash flows of the College.

American College of Rheumatology, Inc.
Notes to Financial Statements

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 2018 and 2017, the College recorded a tax credit of \$2,034 and a tax expense of \$8,247 from unrelated business income, respectively. 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, 2018 or 2017.

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, 2018 and 2017, respectively.

4. Investments

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

	2018		2017	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 1,343,630	\$ 1,343,630	\$ 2,961,144	\$ 2,961,144
Equity securities	3,570,529	5,022,429	3,481,094	4,239,180
Equity funds	12,560,905	14,186,900	12,241,089	13,948,479
Bond mutual funds	3,827,606	3,775,962	2,441,802	2,396,597
Mortgage-backed securities	56,027	37,024	115,319	89,455
Corporate bonds	4,350,126	4,147,948	6,792,341	6,733,091
Foreign government bonds	185,733	173,898	185,733	180,799
U.S. Treasury notes	2,615,350	2,617,408	9,989	9,937
Total	<u>\$ 28,509,906</u>	<u>\$ 31,305,199</u>	<u>\$ 28,228,511</u>	<u>\$ 30,558,682</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, 2018 and 2017.

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 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

American College of Rheumatology, Inc.
Notes to Financial Statements

by management through accounting and financial reporting processes to review and monitor existence and valuation assertions.

	<u>Fair Value at 6/30/2018</u>	<u>Fair Value at 6/30/2017</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iv)</u>
Mill Creek International Absolute Return Fund (i)	\$ 1,455,785	\$ 2,159,840	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	None	Initial 2 year lock-up period; period has lapsed	90 days' notice prior to last day of each 4 quarter period
Mill Creek Private Equity Fund IV (iii)	\$ 340,945	\$ -	429,533	(iii)	(iii)

- (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) The Mill Creek Capital Advisors' Private Equity Fund is designed to provide a diversified portfolio for investing in venture capital, buyout, real estate, and other non-publicly traded equity and debt securities and strategies. The portfolio seeks to produce a strongly positive long-term total return with a low correlation of returns to those produced by other segments of global capital markets. The fund will invest in private partnerships that are expected to be long-lived (approximately ten years) and for which there is expected to be little to no interim liquidity.
- (iv) 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, 2018 and 2017.

	Fair Value at June 30, 2018	Asset at Fair Value as of June 30, 2018		
		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	\$ 1,343,630	\$ 1,343,630	\$ -	\$ -
Equity securities:				
Domestic common stock	3,454,394	3,454,394	-	-
Foreign common stock	1,568,035	1,568,035	-	-
Equity and bond mutual funds:				
Large-cap equity funds	398,387	398,387	-	-
International equity fund	4,468,035	4,468,035	-	-
Domestic equity index fund	7,523,748	7,523,748	-	-
Fixed income fund	3,775,962	3,775,962	-	-
Mortgage-backed securities	37,024	-	37,024	-
Corporate bonds	4,147,948	4,147,948	-	-
Foreign government bonds	173,898	173,898	-	-
U.S Treasury notes	<u>2,617,408</u>	<u>2,617,408</u>	-	-
Total assets in the fair value hierarchy	29,508,469	<u>\$ 29,471,445</u>	<u>\$ 37,024</u>	<u>\$ -</u>
Investments at NAV (a)	<u>1,796,730</u>			
Total investments at fair value	<u>\$ 31,305,199</u>			

(a) 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.

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	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	\$ 27,584,387	\$ 89,455	\$ -
Investments at NAV (a)	2,884,840			
Total investments at fair value	\$ 30,558,682			

(a) 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, 2018 and 2017, all accounts receivable amounts were expected to be collected within one year. As such, there was no unamortized discount associated with accounts receivable.

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6. Property and Equipment

A summary of property and equipment at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 972,195	\$ 972,195
Buildings	5,959,277	5,916,440
Furniture and equipment	283,316	277,998
IT Infrastructure	721,991	755,127
Software In Use	<u>3,218,632</u>	<u>3,141,580</u>
	11,700,381	11,063,340
Less accumulated depreciation and amortization	<u>4,238,448</u>	<u>3,663,927</u>
Net depreciable property and equipment	7,461,933	7,399,413
Software development	779,836	191,270
Property and equipment, net	<u>\$ 7,696,799</u>	<u>\$ 7,590,683</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 2018 or 2017.

8. Employee Benefit Plans

The College has a defined contribution retirement plan, covering substantially all of its employees. Under the plan, participants receive employer discretionary contributions based on compensation and eligibility. Employees of the College automatically become participants in the plan on the first entry date coinciding with or following the first day of employment as an eligible employee. In general, all employees (other than leased employees and independent contractors) of the College are eligible, and plan entry dates are January 1st, May 1st, and September 1st. Retirement expense totaled \$692,396 and \$638,289 in 2018 and 2017, 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 \$184,532 and \$155,293 as of June 30, 2018 and 2017, 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 \$2,454,080 and \$2,101,627 in 2018 and 2017, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2018 and 2017 is \$613,599 and \$509,795, respectively, due from the Foundation.

The College made a \$7,500,000 unrestricted 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

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totaling \$4,700,000. Included in the amounts payable and accrued expenses at June 30, 2018 and 2017 is \$2,800,000 for the remaining balance due on the contribution. The *Leading Boldly: Transforming Rheumatology* campaign has a goal of raising \$75 million to fund innovative research and training to improve access to care and treatments for patients with rheumatic disease.

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, \$426,989 and \$420,705 are due to the Publisher as of June 30, 2018 and 2017, 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 \$3,689,852 and \$3,554,593 in 2018 and 2017, 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.