

# American College of Rheumatology, Inc.

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**Financial Statements**

**Years Ended June 30, 2019 and 2018**

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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, 2019 and 2018 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.

***Change in Accounting Principles***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the College adopted Accounting Standard Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

***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, 2019 and 2018, 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  
November 14, 2019**

**American College of Rheumatology, Inc.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 7,734,178	\$ 7,617,760
Investments	31,582,294	31,305,199
Accounts receivable	2,828,884	4,711,051
Deposits and other assets	490,136	606,273
Property and equipment, net	<u>7,257,981</u>	<u>7,696,799</u>
Total assets	<u>\$ 49,893,473</u>	<u>\$ 51,937,082</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Subscriptions payable	\$ 390,451	\$ 426,989
Accounts payable and accrued expenses	3,491,161	4,705,863
Other liabilities	70,733	71,962
Deferred revenue	<u>5,860,784</u>	<u>8,956,399</u>
Total liabilities	<u>9,813,129</u>	<u>14,161,213</u>
Net assets:		
Net assets without donor restrictions	<u>40,080,344</u>	<u>37,775,869</u>
Total liabilities and net assets	<u>\$ 49,893,473</u>	<u>\$ 51,937,082</u>

**American College of Rheumatology, Inc.**  
**Statements of Activities**  
**Years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 14,208,823	\$ 13,306,037
Royalties	5,455,703	5,123,409
Membership dues	1,911,583	1,943,576
Subscription Income	790,524	376,480
Sales	29,470	116,638
Gifts and grants	7,947,858	7,057,051
Investment and interest income	724,608	685,585
Net realized and unrealized gains on investments	934,255	1,244,188
Other	2,764,099	2,493,323
	<u>34,766,923</u>	<u>32,346,287</u>
Program services:		
Annual Meeting Education	6,322,971	5,932,609
Professional education	2,725,233	1,727,686
Rheumatology training	1,357,146	1,266,185
Musculoskeletal Ultrasound Certification (RhMSUS)	143,113	130,856
Association of Rheumatology Professionals (ARP)	921,519	823,030
Medical Journals	2,228,962	1,746,185
Communications	1,656,137	1,371,820
Practice (CORC)	789,755	790,627
Government affairs	1,235,391	1,143,397
Research	319,213	285,636
Quality	1,520,571	1,663,641
Registry	1,771,649	1,360,418
Collaborative projects	1,770,296	1,659,021
	<u>22,761,956</u>	19,901,111
Supporting services – management and general	<u>9,700,492</u>	9,038,660
Total expenses	<u>32,462,448</u>	28,939,771
Change in net assets	2,304,475	3,406,516
Net assets at beginning of year	<u>37,775,869</u>	<u>34,369,353</u>
Net assets at end of year	<u>\$ 40,080,344</u>	<u>\$ 37,775,869</u>

**American College of Rheumatology, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2019**

	Program Services													Supporting Services	Total 2019	
	Annual Meeting Education	Professional Education	Rheumatology Training	Professional Certification	ARP	Medical Journals	Communi-cations	Practice (CORC)	Government Affairs	Research	Quality	Registry	Collaborative Projects	Total		Management and General
Salaries and benefits	\$ 1,007,778	\$ 801,741	\$ 300,959	\$ 55,571	\$ 435,056	\$ 1,318,830	\$ 610,928	\$ 463,089	\$ 492,193	\$ 103,462	\$ 667,180	\$ 426,591	\$ 525,167	\$ 7,208,545	\$ 5,354,853	\$ 12,563,398
Professional fees	1,782,517	857,636	428,409	51,503	225,966	649,871	739,662	34,428	330,945	44,113	521,447	1,065,693	1,114,827	7,847,017	1,658,778	9,505,795
Conferences, conventions, and meetings	2,638,770	373,556	264,802	5,669	69,622	11,504	18,492	51,534	86,680	99,563	48,309	19,931	3,135	3,691,567	495,599	4,187,166
Travel	213,289	236,190	316,142	10,046	94,268	20,672	14,863	141,351	184,661	52,680	111,817	92,306	22,523	1,510,808	504,894	2,015,702
Postage, printing and publications	91,310	13,091	11,765	7	3,767	2,170	5,801	260	11,236	798	300	3,971	9,988	154,464	48,815	203,279
Occupancy	24,954	23,461	8,710	1,599	10,383	38,638	16,706	13,545	14,290	3,057	19,481	12,300	15,534	202,658	152,959	355,617
Supplies	101,919	6,847	2,133	173	4,905	4,958	3,295	1,745	6,307	486	2,112	1,477	3,914	140,271	57,824	198,095
Equipment maintenance and rental	27,377	6,524	8,561	304	1,974	7,346	3,177	2,578	2,718	581	3,706	2,339	2,955	70,140	29,054	99,194
Telephone, technology and internet	56,362	166,038	36,867	3,283	37,548	79,706	35,958	42,851	32,263	6,512	45,486	71,068	41,780	655,722	371,605	1,027,327
Depreciation	55,454	104,183	11,359	2,086	17,654	50,390	178,577	17,661	18,635	3,988	25,408	61,111	20,257	566,763	199,292	766,055
Training and educational materials	7,282	7,116	617	-	3,169	493	24,307	13,695	49,416	-	70,406	10,760	5,429	192,690	208,527	401,217
Insurance	36,891	8,717	3,493	12,872	2,600	9,668	4,181	3,389	3,575	767	4,874	3,078	3,887	97,992	43,293	141,285
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,706	1,706
Other	279,068	120,133	(36,671)	-	14,607	34,716	190	3,629	2,472	3,206	45	1,024	900	423,319	573,293	996,612
	<u>\$ 6,322,971</u>	<u>\$ 2,725,233</u>	<u>\$ 1,357,146</u>	<u>\$ 143,113</u>	<u>\$ 921,519</u>	<u>\$ 2,228,962</u>	<u>\$ 1,656,137</u>	<u>\$ 789,755</u>	<u>\$ 1,235,391</u>	<u>\$ 319,213</u>	<u>\$ 1,520,571</u>	<u>\$ 1,771,649</u>	<u>\$ 1,770,296</u>	<u>\$ 22,761,956</u>	<u>\$ 9,700,492</u>	<u>\$ 32,462,448</u>

See accompanying notes.

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

	Program Services													Supporting Services	Total 2018	
	Annual Meeting Education	Professional Education	Rheumatology Training	Professional Certification	ARP	Medical Journals	Communi-cations	Practice (CORC)	Government Affairs	Research	Quality	Registry	Collaborative Projects	Total		Management and General
Salaries and benefits	\$ 894,990	\$ 617,592	\$ 265,294	\$ 64,636	\$ 352,926	\$ 975,866	\$ 403,114	\$ 426,399	\$ 468,522	\$ 84,001	\$ 637,686	\$ 459,311	\$ 426,267	\$ 6,076,604	\$ 5,561,543	\$ 11,638,147
Professional fees	1,720,100	337,805	379,620	37,595	217,038	599,447	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	80,075	7,603	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	88,658	17,450	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	4,129	465	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	8,663	27,958	9,852	11,856	13,282	2,379	18,382	13,147	31,117	185,153	156,547	341,700
Supplies	93,924	6,499	2,462	278	2,213	3,652	12,884	2,037	3,962	280	2,445	1,730	4,604	136,970	29,216	166,186
Equipment maintenance and rental	32,424	5,076	5,662	305	1,440	4,653	1,639	1,973	2,210	396	3,049	2,188	5,178	66,193	25,720	91,913
Telephone, technology and internet	54,627	107,497	30,945	4,083	35,876	63,895	23,150	30,061	38,793	6,888	60,124	38,300	73,742	567,981	433,657	1,001,638
Depreciation	92,846	135,844	9,391	2,263	14,804	34,495	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	2,637	8,510	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	12,885	1,285	61	3,817	3,855	6,292	10	1,414	61	418,513	243,707	662,220
	<b>\$ 5,932,609</b>	<b>\$ 1,727,686</b>	<b>\$ 1,266,185</b>	<b>\$ 130,856</b>	<b>\$ 823,030</b>	<b>\$ 1,746,185</b>	<b>\$ 1,371,820</b>	<b>\$ 790,627</b>	<b>\$ 1,143,397</b>	<b>\$ 285,636</b>	<b>\$ 1,663,641</b>	<b>\$ 1,360,418</b>	<b>\$ 1,659,021</b>	<b>\$ 19,901,111</b>	<b>\$ 9,038,660</b>	<b>\$ 28,939,771</b>

See accompanying notes.



**American College of Rheumatology, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,304,475	\$ 3,406,516
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	766,055	818,897
Loss on disposal of fixed assets	833,609	-
Net realized and unrealized gains on investments	(934,255)	(1,244,188)
Change in assets and liabilities:		
Accounts receivable	1,882,167	400,928
Deposits and other assets	116,137	(149,530)
Subscriptions payable	(36,538)	6,284
Accounts payable and accrued expenses	(1,214,702)	(35,229)
Other liabilities	(1,229)	13,534
Deferred revenue	(3,095,615)	166,495
Net cash provided by operating activities	<u>620,104</u>	<u>3,383,707</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,160,846)	(925,013)
Purchases of investments	(23,087,750)	(28,320,008)
Proceeds from sale of investments	23,744,910	28,817,679
Net cash used in investing activities	<u>(503,686)</u>	<u>(427,342)</u>
Net change in cash and cash equivalents	116,418	2,956,365
Cash and cash equivalents at beginning of the year	<u>7,617,760</u>	<u>4,661,395</u>
Cash and cash equivalents at end of the year	<u>\$ 7,734,178</u>	<u>\$ 7,617,760</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, 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 net assets without donor restrictions 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**

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***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.

***Reclassifications***

Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 presentation. These classifications had no effect on the financial position, results of operations, or cash flows of the College.

***Adoption of New Accounting Standards Updates***

During the year ended June 30, 2019, the College adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Among other things, the ASU requires changes in the presentation of net assets (retrospectively applied) and expanded disclosures regarding liquidity (prospectively applied – see Note 12). As such, amounts previously reported at June 30, 2018 as unrestricted net assets have been reclassified as net assets without donor restrictions. These reclassifications had no impact on the total net assets or total changes in net assets in the accompanying financial statements.

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

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***Subsequent events***

The College evaluated the effect subsequent events would have on the financial statements from July 1, 2019 through November 14, 2019, 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.

**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 2019 and 2018, the College recorded a tax expense of \$1,706 and a tax credit of \$2,034 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, 2019 or 2018.

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, 2019 and 2018, respectively.

**4. Investments**

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 987,508	\$ 987,508	\$ 1,343,630	\$ 1,343,630
Equity securities	7,016,040	8,898,015	3,570,529	5,022,429
Equity funds	9,491,942	10,987,254	12,560,905	14,186,900
Bond mutual funds	3,746,287	3,820,610	3,827,606	3,775,962
Mortgage-backed securities	2,240,015	2,220,291	56,027	37,024
Corporate bonds	3,493,655	3,557,066	4,350,126	4,147,948
Foreign government bonds	104,602	97,016	185,733	173,898
U.S. Treasury notes	1,004,720	1,014,534	2,615,350	2,617,408
Total	<u>\$ 28,084,769</u>	<u>\$ 31,582,294</u>	<u>\$ 28,509,906</u>	<u>\$ 31,305,199</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, 2019 and 2018.

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

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

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

	<u>Fair Value at 6/30/2019</u>	<u>Fair Value at 6/30/2018</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iii)</u>
Mill Creek International Absolute Return Fund (i)	\$ 1,445,353	\$ 1,455,785	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 (ii)	\$ 515,687	\$ 340,945	242,161	(iii)	(iii)
Mill Creek Private Equity Fund V (ii)	\$ 78,125	\$ -	671,875	(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 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.
- (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, 2019 and 2018.

	Fair Value at June 30, 2019	Asset at Fair Value as of June 30, 2019		
		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	\$ 987,508	\$ 987,508	\$ -	\$ -
Equity securities:				
Domestic common stock	7,132,216	7,132,216	-	-
Foreign common stock	1,765,799	1,765,799	-	-
Equity and bond mutual funds:				
Large-cap equity funds	393,176	393,176	-	-
International equity fund	4,248,866	4,248,866	-	-
Domestic equity index fund	4,306,047	4,306,047	-	-
Fixed income fund	3,820,610	3,820,610	-	-
Mortgage-backed securities	2,220,291	-	2,220,291	-
Corporate bonds	3,557,066	3,557,066	-	-
Foreign government bonds	97,016	97,016	-	-
U.S Treasury notes	<u>1,014,534</u>	<u>1,014,534</u>	-	-
Total assets in the fair value hierarchy	29,543,129	<u>\$ 27,322,838</u>	<u>\$ 2,220,291</u>	<u>\$ -</u>
Investments at NAV (a)	<u>2,039,165</u>			
Total investments at fair value	<u>\$ 31,582,294</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.

**American College of Rheumatology, Inc.**  
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	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.

## 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, 2019 and 2018, 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**

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**6. Property and Equipment**

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 972,195	\$ 972,195
Buildings	6,039,522	5,959,277
Furniture and equipment	288,132	283,316
IT Infrastructure	820,246	721,991
Software In Use	<u>2,592,274</u>	<u>3,218,632</u>
	<u>10,712,369</u>	<u>11,155,411</u>
Less accumulated depreciation and amortization	<u>3,804,247</u>	<u>4,238,448</u>
Net depreciable property and equipment	6,908,128	6,916,963
Software development	<u>349,859</u>	<u>779,836</u>
Property and equipment, net	<u>\$ 7,257,981</u>	<u>\$ 7,696,799</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 2019 or 2018.

**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 1<sup>st</sup>, May 1<sup>st</sup>, and September 1<sup>st</sup>. Retirement expense totaled \$709,847 and \$692,396 in 2019 and 2018, 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 \$211,614 and \$184,532 as of June 30, 2019 and 2018, 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 \$2,337,575 and \$2,454,079 in 2019 and 2018, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2019 and 2018 is \$581,478 and \$613,599, 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 totaling \$4,700,000. Included in the amounts payable and accrued expenses at June 30, 2019 and 2018 is \$1,400,000 and



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\$2,800,000, respectively 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, \$390,451 and \$426,989 are due to the Publisher as of June 30, 2019 and 2018, 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 \$3,583,218 and \$3,689,852 in 2019 and 2018, 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.

**12. Liquidity and Availability of Resources**

Financial assets available for general expenditure, without donor or other restrictions limited their use, within one year of the balance sheet date are reflected in the balance sheets as assets and include the following balances at June 30, 2019:

Cash and cash equivalents	\$ 7,734,178
Accounts receivable	<u>2,828,884</u>
Total	<u>\$ 10,563,062</u>