

American College of Rheumatology, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	7
Notes to Financial Statements	8

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, 2020 and 2019 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, 2020 and 2019, 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.

Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 2 to the financial statements, during the year ended June 30, 2020, the College implemented new accounting guidance, Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to these matters.

Dixon Hughes Goodman LLP

**Atlanta, Georgia
November 3, 2020**

American College of Rheumatology, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 8,054,285	\$ 7,734,178
Investments	32,919,739	31,582,294
Accounts receivable	1,832,537	2,828,884
Deposits and other assets	617,730	490,136
Property and equipment, net	<u>7,034,924</u>	<u>7,257,981</u>
Total assets	<u>\$ 50,459,215</u>	<u>\$ 49,893,473</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Subscriptions payable	\$ 367,047	\$ 390,451
Accounts payable and accrued expenses	3,321,593	3,491,161
Other liabilities	50,814	70,733
Deferred revenue	<u>4,809,554</u>	<u>5,860,784</u>
Total liabilities	<u>8,549,008</u>	<u>9,813,129</u>
Net assets:		
Net assets without donor restrictions	<u>41,910,207</u>	<u>40,080,344</u>
Total liabilities and net assets	<u>\$ 50,459,215</u>	<u>\$ 49,893,473</u>

American College of Rheumatology, Inc.
Statements of Activities
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 13,800,393	\$ 14,208,823
Royalties	5,622,604	5,455,703
Membership dues	1,795,279	1,911,583
Subscription Income	343,449	790,524
Sales	25,360	29,470
Gifts and grants	7,671,828	7,947,858
Investment and interest income	742,715	724,608
Net realized and unrealized gains on investments	700,836	934,255
Other	2,840,748	2,764,099
	<u>33,543,212</u>	<u>34,766,923</u>
Total revenue		
Program services:		
Annual Meeting Education	6,931,857	6,322,971
Professional Education	2,339,747	2,725,233
Rheumatology Training	1,111,744	1,357,146
Professional Certifications	76,137	143,113
Association of Rheumatology Professionals (ARP)	690,945	921,519
Medical Journals	1,961,774	2,228,962
Communications	1,428,813	1,656,137
Practice (CORC)	780,231	789,755
Government Affairs	1,157,947	1,235,391
Research	171,821	319,213
Quality	1,482,782	1,520,571
Registry	1,626,099	1,771,649
Collaborative Projects	1,672,952	1,770,296
	<u>21,432,849</u>	<u>22,761,956</u>
Total program services		
Supporting services – management and general	<u>10,280,500</u>	<u>9,700,492</u>
Total expenses	<u>31,713,349</u>	<u>32,462,448</u>
Change in net assets	1,829,863	2,304,475
Net assets at beginning of year	<u>40,080,344</u>	<u>37,775,869</u>
Net assets at end of year	<u>\$ 41,910,207</u>	<u>\$ 40,080,344</u>

American College of Rheumatology, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services													Supporting Services	Total 2020	
	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	\$ 989,604	\$ 843,579	\$ 238,878	\$ 33,161	\$ 344,285	\$ 1,050,879	\$ 535,314	\$ 489,463	\$ 527,524	\$ 80,657	\$ 700,422	\$ 416,154	\$ 631,836	\$ 6,881,756	\$ 6,423,781	\$ 13,305,537
Professional fees	2,482,434	855,144	396,382	22,684	156,525	669,906	603,307	57,086	178,625	19,738	494,049	847,082	924,049	7,707,011	1,507,584	9,214,595
Conferences, conventions, and meetings	2,535,903	201,973	189,083	948	58,716	12,939	16,226	22,661	88,813	42,184	39,490	7,591	2,727	3,219,254	486,034	3,705,288
Travel	235,622	88,297	236,328	1,416	60,201	27,979	9,903	105,052	150,900	14,934	71,172	8,832	16,889	1,027,525	369,597	1,397,122
Postage, printing and publications	65,466	4,849	932	-	1,602	663	4,100	236	10,821	45	1,464	1,076	10,726	101,980	49,423	151,403
Occupancy	20,260	20,446	5,668	805	7,744	25,436	12,423	11,245	41,017	1,889	16,852	10,068	12,516	186,369	151,737	338,106
Supplies	135,650	4,965	776	99	3,830	4,449	2,162	3,779	6,452	293	2,294	2,004	3,278	170,031	39,210	209,241
Equipment maintenance and rental	24,203	7,777	1,213	172	1,656	5,360	2,657	2,405	2,716	404	3,604	2,153	2,677	56,997	33,563	90,560
Telephone, technology and internet	60,395	210,656	23,120	2,082	25,751	69,449	34,273	44,846	40,255	5,360	56,652	289,104	38,422	900,365	495,325	1,395,690
Depreciation	48,941	62,666	9,681	1,375	15,284	43,429	178,000	19,202	21,688	3,227	41,244	33,755	21,371	499,863	259,093	758,956
Training and educational materials	5,943	8,882	4,789	-	820	2,247	26,010	19,705	81,568	-	49,860	4,827	4,004	208,655	211,722	420,377
Insurance	46,325	6,444	1,787	13,395	2,441	8,016	3,915	3,544	4,003	596	5,312	3,173	3,945	102,896	49,139	152,035
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(253)	(253)
Other	281,111	24,069	3,107	-	12,090	41,022	523	1,007	3,565	2,494	367	280	512	370,147	204,545	574,692
	<u>\$ 6,931,857</u>	<u>\$ 2,339,747</u>	<u>\$ 1,111,744</u>	<u>\$ 76,137</u>	<u>\$ 690,945</u>	<u>\$ 1,961,774</u>	<u>\$ 1,428,813</u>	<u>\$ 780,231</u>	<u>\$ 1,157,947</u>	<u>\$ 171,821</u>	<u>\$ 1,482,782</u>	<u>\$ 1,626,099</u>	<u>\$ 1,672,952</u>	<u>\$ 21,432,849</u>	<u>\$ 10,280,500</u>	<u>\$ 31,713,349</u>

See accompanying notes.

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.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,829,863	\$ 2,304,475
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	758,956	766,055
Loss on disposal of fixed assets	-	833,609
Net realized and unrealized gains on investments	(700,836)	(934,255)
Change in assets and liabilities:		
Accounts receivable	996,347	1,882,167
Deposits and other assets	(127,594)	116,137
Subscriptions payable	(23,404)	(36,538)
Accounts payable and accrued expenses	(169,568)	(1,214,702)
Other liabilities	(19,919)	(1,229)
Deferred revenue	(1,051,230)	(3,095,615)
Net cash provided by operating activities	<u>1,492,615</u>	620,104
Cash flows from investing activities:		
Purchases of property and equipment	(535,899)	(1,160,846)
Purchases of investments	(20,082,420)	(23,087,750)
Proceeds from sale of investments	<u>19,445,811</u>	<u>23,744,910</u>
Net cash used in investing activities	<u>(1,172,508)</u>	<u>(503,686)</u>
Net change in cash and cash equivalents	320,107	116,418
Cash and cash equivalents at beginning of the year	<u>7,734,178</u>	<u>7,617,760</u>
Cash and cash equivalents at end of the year	<u>\$ 8,054,285</u>	<u>\$ 7,734,178</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.

Adoption of New Accounting Standards Updates

During the year ended June 30, 2020, the College adopted new accounting guidance for recognizing revenues found in Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, Not-for-Profit Entities (Topic 958)*.

The College adopted the new standards effective July 1, 2019 using the modified prospective approach, in which the standard is effective beginning in the year of implementation and prior periods are not restated. Adoption of the new standards did not materially impact the timing, amount, or pattern of recognition of the College’s net revenues and, as such, no cumulative effect adjustment at July 1, 2019 was required as a result of implementation.

Adoption of the new standards did not have any impact on the financial statement presentation or total net assets and total changes in net assets in the 2020 and 2019 financial statements.

Revenue recognition

Revenues from nonexchange contracts with resource providers are accounted for in accordance with the guidance for contributions and promises to give under Accounting Standards Codification (“ASC”) Topic 958, while revenues from exchange contracts with customers are accounted for in accordance with ASC Topic 606. The determination of whether a contract is exchange or nonexchange requires management to exercise judgment and evaluate subjective criteria about whether there is a reciprocal exchange of commensurate value that flows to the direct benefit of the parties to the contract. Although the accounting guidance differs for exchange and nonexchange contracts, in practice, the timing and amount of revenue recognition for the College’s contracts generally would not differ significantly under either Topic.

American College of Rheumatology, Inc.
Notes to Financial Statements

Under Topic 958, nonexchange transactions may be conditional or unconditional. If there is both 1) a barrier and 2) a right of return or release of the resource provider's obligation to transfer assets, then the contribution is conditional. If both criteria are not present, then the contribution is unconditional and is recognized upon satisfaction of any conditions. A contribution also may include a purpose or use restriction on the funding or may be intended for use in a future year and thus have an explicit or implicit time restriction. Once a contribution becomes unconditional, an entity shall consider whether there is a purpose or time restriction prior to recognizing the funds as unrestricted revenue.

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.

The College's nonexchange contracts with federal and state resource providers are generally conditional, in that there are specific performance-related barriers and a right of release of the resource provider's obligation if the College does not overcome a barrier. Generally, barriers are related to the performance of allowable activities and incurrence of allowable costs under the contracts; thus, conditions are satisfied as allowable costs under a contract are incurred.

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.

Deferred revenue

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

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, 2019 financial statements to conform to the June 30, 2020 presentation. These classifications had no effect on the financial position, results of operations, or cash flows of the College.

Subsequent events

The College evaluated the effect subsequent events would have on the financial statements from July 1, 2020 through November 3, 2020, 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 2020 and 2019, the College recorded a tax credit of \$253 and a tax expense of \$1,706 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, 2020 or 2019.

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, 2020 and 2019, respectively.

American College of Rheumatology, Inc.
Notes to Financial Statements

4. Investments

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

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 1,711,014	\$ 1,711,014	\$ 987,508	\$ 987,508
Equity securities	7,858,865	10,279,564	7,016,040	8,898,015
Equity funds	9,063,931	10,115,961	9,491,942	10,987,254
Bond mutual funds	3,571,840	3,607,128	3,746,287	3,820,610
Mortgage-backed securities	2,675,526	2,777,311	2,240,015	2,220,291
Corporate bonds	3,705,913	3,949,303	3,493,655	3,557,066
Foreign government bonds	-	-	104,602	97,016
U.S. Treasury notes	443,197	479,458	1,004,720	1,014,534
Total	<u>\$ 29,030,286</u>	<u>\$ 32,919,739</u>	<u>\$ 28,084,769</u>	<u>\$ 31,582,294</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, 2020 and 2019.

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

American College of Rheumatology, Inc.
Notes to Financial Statements

	<u>Fair Value at 6/30/2020</u>	<u>Fair Value at 6/30/2019</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iii)</u>
Mill Creek International Absolute Return Fund (i)	\$ 1,483,967	\$ 1,445,353	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)	\$ 521,828	\$ 515,687	187,383	(iii)	(iii)
Mill Creek Private Equity Fund V (ii)	\$ 108,580	\$ 78,125	635,329	(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 instruments accounted for at fair value on a recurring basis as of June 30, 2020 and 2019.

	Fair Value at June 30, 2020	Asset at Fair Value as of June 30, 2020		
		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	\$ 1,711,014	\$ 1,711,014	\$ -	\$ -
Equity securities:				
Domestic common stock	8,550,345	8,550,345	-	-
Foreign common stock	1,729,219	1,729,219	-	-
Equity and bond mutual funds:				
Large-cap equity funds	362,205	362,205	-	-
International equity fund	4,386,600	4,386,600	-	-
Domestic equity index fund	3,252,781	3,252,781	-	-
Fixed income fund	3,607,128	3,607,128	-	-
Mortgage-backed securities	2,777,311	-	2,777,311	-
Corporate bonds	3,949,303	3,949,303	-	-
U.S Treasury notes	479,458	479,458	-	-
Total assets in the fair value hierarchy	30,805,364	\$ 28,028,053	\$ 2,777,311	\$ -
Investments at NAV (a)	2,114,375			
Total investments at fair value	\$ 32,919,739			

(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.
Notes to Financial Statements

	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>			

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, 2020 and 2019, all accounts receivable amounts were expected to be collected within one year. As such, there was no unamortized discount associated with accounts receivable.

6. Property and Equipment

A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 972,195	\$ 972,195
Buildings	6,053,293	6,039,522
Furniture and equipment	246,657	288,132
IT Infrastructure	853,020	820,246
Software in use	<u>2,735,831</u>	<u>2,592,274</u>
	<u>10,860,996</u>	<u>10,712,369</u>
Less accumulated depreciation and amortization	<u>4,393,784</u>	<u>3,804,247</u>
Net depreciable property and equipment	6,467,212	6,908,128
Software in development	<u>567,712</u>	<u>349,859</u>
Property and equipment, net	<u>\$ 7,034,924</u>	<u>\$ 7,257,981</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%. Effective April 7, 2020, the maximum loan amount increased to \$3,000,000 plus interest at the greater of the 30-day LIBOR rate or the Index Floor plus 1.5%. No amounts were drawn on the line in 2020 or 2019.

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 \$795,521 and \$709,847 in 2020 and 2019, 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 \$114,958 and \$211,614 as of June 30, 2020 and 2019, 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 \$2,789,375 and \$2,337,575 in 2020 and 2019, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2020 and 2019 is \$622,499 and \$581,478, 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. Included in the amounts payable and accrued expenses at June 30, 2020 and 2019 is \$1,400,000 for the remaining balance due on the contribution. This campaign is branded the *Leading Boldly*:

American College of Rheumatology, Inc.
Notes to Financial Statements

Transforming Rheumatology campaign and 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, \$367,047 and \$390,451 are due to the Publisher as of June 30, 2020 and 2019, 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 \$3,525,000 and \$3,583,218 in 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 8,054,285	\$ 7,734,178
Accounts receivable	<u>1,832,537</u>	<u>2,828,884</u>
Total	<u>\$ 9,886,822</u>	<u>\$ 10,563,062</u>