

American College of Rheumatology, Inc.

Financial Statements

Years Ended June 30, 2016 and 2015

with Independent Auditors' Report

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Independent Auditors' Report

The Board of Directors
American College of Rheumatology, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of American College of Rheumatology, Inc. (the "College") as of June 30, 2016 and 2015 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, 2016 and 2015, 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 1, 2016

American College of Rheumatology, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 6,860,027	\$ 5,463,264
Investments	27,309,345	27,647,372
Accounts receivable	2,813,454	2,594,899
Deposits and other assets	662,206	451,721
Property and equipment, net	7,631,323	7,597,213
	<u>45,276,355</u>	<u>43,754,469</u>
Total assets	<u>\$ 45,276,355</u>	<u>\$ 43,754,469</u>
Liabilities:		
Subscriptions payable	\$ 400,734	\$ 385,968
Accounts payable and accrued expenses	1,523,828	1,469,673
Other liabilities	21,973	25,369
Deferred revenue	5,901,667	5,048,302
Total liabilities	<u>7,848,202</u>	<u>6,929,312</u>
Net assets:		
Unrestricted:		
Designated for:		
Board-designated activities	29,696,830	29,127,944
Property and equipment	7,631,323	7,597,213
Undesignated	100,000	100,000
Total net assets	<u>37,428,153</u>	<u>36,825,157</u>
	<u>\$ 45,276,355</u>	<u>\$ 43,754,469</u>
Total liabilities and net assets	<u>\$ 45,276,355</u>	<u>\$ 43,754,469</u>

American College of Rheumatology, Inc.
Statements of Activities
Years ended June 30, 2016 and 2015

	2016	2015
Changes in net assets:		
Revenue:		
Meetings	\$ 13,172,796	\$ 12,603,173
Royalties	6,547,057	4,649,763
Membership dues	1,923,899	1,838,695
Sales	82,962	126,717
Gifts and grants	4,823,623	4,417,797
Investment and interest income	665,072	626,016
Net realized and unrealized (losses) gains on investments	(1,018,734)	215,422
Other	2,337,239	2,149,580
Total revenue	28,533,914	26,627,163
Program services:		
Professional education	8,065,303	7,003,690
Rheumatology training	1,384,897	1,405,731
Musculoskeletal Ultrasound Certification (RhMSUS)	105,465	114,806
Association of Rheumatology Health Professionals (ARHP)	1,219,986	1,163,167
A&R Journal	1,150,756	1,205,698
Communications	1,374,497	1,196,518
Committee on Rheumatologic Care (CORC)	731,155	671,488
Government affairs	1,050,447	940,688
Research	346,744	259,966
Quality	1,080,019	772,115
Registry	1,096,316	1,042,138
Collaborative projects	1,591,012	1,140,068
Total program services	19,196,597	16,916,073
Supporting services – management and general	8,734,321	7,679,912
Total expenses	27,930,918	24,595,985
Change in net assets	602,996	2,031,178
Net assets at beginning of year	36,825,157	34,793,979
Net assets at end of year	\$ 37,428,153	\$ 36,825,157

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

	Program Services												Supporting Services	Total 2016	
	Professional Education	Rheumatology Training	RhMSUS	ARHP	A&R Journal	Communi-cations	CORC	Government Affairs	Research	Quality	Registry	Collaborative Projects	Total		Management and General
Salaries and benefits	\$ 1,471,649	\$ 244,142	\$ 56,354	\$ 582,260	\$ 644,170	\$ 432,736	\$ 402,130	\$ 329,817	\$ 54,797	\$ 583,184	\$ 319,098	\$ 359,997	\$ 5,480,334	5,266,257	\$ 10,746,591
Professional fees	2,304,318	370,232	27,291	338,683	394,277	640,974	35,611	365,336	50,178	222,175	559,129	1,063,854	6,372,058	896,978	7,269,036
Conferences, conventions, and meetings	3,009,847	185,867	-	91,599	6,266	22,809	45,825	81,496	150,563	41,764	10,667	11,479	3,658,182	430,045	4,088,227
Travel	333,714	522,439	-	104,831	7,765	6,577	164,605	154,472	37,135	78,184	37,271	32,130	1,479,123	456,738	1,935,861
Printing and publications	127,462	2,940	2	928	125	3,102	735	8,020	24	123	752	3,356	147,569	16,224	163,793
Postage	13,451	2,018	-	2,954	1,925	407	635	2,324	229	592	153	13,563	38,251	18,162	56,413
Occupancy	40,512	7,596	1,761	16,682	19,956	9,662	12,265	9,788	1,693	17,812	9,846	10,768	158,341	166,073	324,414
Supplies	183,190	12,448	2,732	28,077	31,613	16,773	22,005	18,371	2,819	28,727	17,692	23,338	387,785	281,640	669,425
Equipment maintenance and rental	39,285	1,948	452	4,279	5,119	3,456	3,146	2,512	433	4,568	2,515	2,791	70,504	43,676	114,180
Telephone	26,406	12,250	728	14,398	10,666	3,997	8,151	16,252	2,204	20,921	45,193	7,621	168,787	79,544	248,331
Depreciation	168,682	13,561	1,825	17,289	20,690	117,299	14,588	10,153	1,752	18,464	76,842	11,430	472,575	169,652	642,227
Training and educational materials	14,795	3,679	-	3,499	1,377	7,993	4,778	44,516	-	58,483	5,358	14,057	158,535	133,708	292,243
Insurance	52,188	2,132	12,741	4,649	5,577	2,695	3,418	2,739	473	4,979	3,134	3,462	98,187	44,144	142,331
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,852
Other	279,804	3,645	1,579	9,858	1,230	106,017	13,263	4,651	44,444	43	8,666	33,166	506,366	718,628	1,224,994
	<u>\$ 8,065,303</u>	<u>\$ 1,384,897</u>	<u>\$ 105,465</u>	<u>\$ 1,219,986</u>	<u>\$ 1,150,756</u>	<u>\$ 1,374,497</u>	<u>\$ 731,155</u>	<u>\$ 1,050,447</u>	<u>\$ 346,744</u>	<u>\$ 1,080,019</u>	<u>\$ 1,096,316</u>	<u>\$ 1,591,012</u>	<u>\$ 19,196,597</u>	<u>\$ 8,734,321</u>	<u>\$ 27,930,918</u>

See accompanying notes.

American College of Rheumatology, Inc.
Statement of Functional Expenses
Year ended June 30, 2015

	Program Services												Supporting Services	Total 2015	
	Professional Education	Rheumatology Training	RhMSUS	ARHP	A&R Journal	Communi-cations	CORC	Government Affairs	Research	Quality	Registry	Collaborative Projects	Total		Management and General
Salaries and benefits	\$ 1,486,824	\$ 229,256	\$ 68,652	\$ 561,166	\$ 649,296	\$ 479,548	\$ 375,685	\$ 315,103	\$ 63,172	\$ 407,480	\$ 293,189	\$ 277,534	\$ 5,206,905	\$ 4,832,922	\$ 10,039,827
Professional fees	1,775,112	376,017	23,258	326,676	405,682	526,550	39,326	283,489	38,440	106,782	607,254	731,758	5,240,344	765,559	6,005,903
Conferences, conventions, and meetings	2,532,974	164,830	-	73,264	6,523	15,606	39,939	67,241	88,392	43,586	5,428	7,301	3,045,084	370,234	3,415,318
Travel	312,315	575,285	819	90,539	15,766	4,153	144,911	171,282	52,271	96,233	25,531	31,832	1,520,937	454,254	1,975,191
Printing and publications	143,835	5,614	94	631	355	387	2,909	6,386	2,812	77	1,632	20,806	185,538	51,583	237,121
Postage	10,993	4,953	-	2,798	1,812	(249)	1,239	2,168	45	1,804	28	3,507	29,098	43,933	73,031
Occupancy	44,825	7,661	2,286	18,222	21,577	11,559	12,336	10,434	2,125	13,846	9,760	9,695	164,326	157,577	321,903
Supplies	103,758	9,799	1,842	17,813	18,641	73,669	10,691	10,896	1,770	11,462	9,169	11,452	280,962	161,101	442,063
Equipment maintenance and rental	43,012	2,459	734	5,850	6,928	4,555	3,961	3,350	682	4,446	3,135	3,091	82,203	50,588	132,791
Telephone	35,681	8,940	1,657	17,640	14,541	8,460	10,451	14,312	2,753	15,435	9,071	6,983	145,924	296,506	442,430
Depreciation	157,565	17,070	2,262	18,033	21,361	67,011	14,090	10,330	2,102	13,706	72,140	9,488	405,158	155,960	561,118
Training and educational materials	10,037	4,250	-	4,019	1,861	2,759	6,494	38,407	25	53,470	912	563	122,797	113,435	236,232
Insurance	45,290	2,052	12,680	4,880	5,777	3,095	3,302	2,793	569	3,707	2,612	2,621	89,378	42,195	131,573
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	4,354	4,354
Other	301,469	(2,455)	522	21,636	35,578	(585)	6,154	4,497	4,808	81	2,277	23,437	397,419	179,711	577,130
	<u>\$ 7,003,690</u>	<u>\$ 1,405,731</u>	<u>\$ 114,806</u>	<u>\$ 1,163,167</u>	<u>\$ 1,205,698</u>	<u>\$ 1,196,518</u>	<u>\$ 671,488</u>	<u>\$ 940,688</u>	<u>\$ 259,966</u>	<u>\$ 772,115</u>	<u>\$ 1,042,138</u>	<u>\$ 1,140,068</u>	<u>\$ 16,916,073</u>	<u>\$ 7,679,912</u>	<u>\$ 24,595,985</u>

See accompanying notes.

American College of Rheumatology, Inc.
Statements of Cash Flows
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 602,996	\$ 2,031,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	642,227	561,118
Loss on disposal of fixed assets	105,981	
Net realized and unrealized losses (gains) on investments	1,018,734	(215,422)
Change in assets and liabilities:		
Accounts receivable	(218,555)	(742,467)
Deposits and other assets	(210,485)	33,088
Subscriptions payable	14,766	23,194
Accounts payable and accrued expenses	54,155	(226,339)
Other liabilities	(3,396)	15,014
Deferred revenue	853,365	(28,759)
Net cash provided by operating activities	<u>2,859,788</u>	1,450,605
Cash flows from investing activities:		
Purchases of property and equipment	(782,318)	(717,188)
Purchases of investments	(17,093,403)	(28,987,500)
Proceeds from sale of investments	16,412,696	28,342,035
Net cash used in investing activities	<u>(1,463,025)</u>	(1,362,653)
Net change in cash and cash equivalents	1,396,763	87,952
Cash and cash equivalents at beginning of the year	<u>5,463,264</u>	5,375,312
Cash and cash equivalents at end of the year	<u>\$ 6,860,027</u>	<u>\$ 5,463,264</u>

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 United States government securities, corporate bonds, mortgage-backed securities, and equity securities. 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.

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, 2016 through October 1, 2016, 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 2016 and 2015, the College recorded tax expense of \$12,852 and \$4,354 from unrelated business income. The College has paid the related taxes for the unrelated business income activity, and there are no significant deferred tax assets or liabilities as of June 30, 2016 or 2015.

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, 2016 and 2015, respectively.

4. Investments

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

	2016		2015	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 1,339,571	\$ 1,339,571	\$ 721,332	\$ 721,332
Equity securities	3,573,006	3,979,328	3,602,029	4,277,370
Equity mutual funds	13,635,659	13,412,756	12,808,458	13,468,828
Bond mutual funds	1,849,145	1,704,291	2,510,779	2,440,214
Mortgage-backed securities	342,783	302,638	731,882	700,329
Corporate bonds	6,022,515	6,125,375	6,094,630	5,980,738
Foreign government bonds	185,733	189,963	58,548	58,561
U.S. Treasury notes	255,393	255,423	-	-
Total	<u>\$ 27,203,805</u>	<u>\$ 27,309,345</u>	<u>\$ 26,527,658</u>	<u>\$ 27,647,372</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 Level 3 investment consists of the College's investment 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. The limited partnership's Level 3 investments 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

The rollforward of Level 3 investments during 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 2,747,531	\$ 3,384,240
Sales	-	(3,380,358)
Purchases	-	2,700,000
Change in market value	<u>(33,692)</u>	<u>43,649</u>
Ending balance	<u>\$ 2,713,839</u>	<u>\$ 2,747,531</u>

There were no amounts transferred into or out of Level 3 during the years ended June 30, 2016 and 2015. Changes in Level 3 investment value during 2016 were due to changes in market value. Changes in Level 3 investment value during 2015 were due to changes in market value and sales and purchases of investments. There were no changes during the years ended June 30, 2016 and 2015 to the College's valuation techniques used to measure asset and liability fair values on a recurring basis.

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, 2016 and 2015.

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

American College of Rheumatology, Inc.
Notes to Financial Statements

	Asset at Fair Value as of June 30, 2015		
	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	\$ 721,332	\$ -	\$ -
Equity securities:			
Domestic common stock	2,642,618	-	-
Foreign common stock	1,634,752	-	-
Equity and bond mutual funds:			
Large-cap equity funds	2,869,644	-	-
International equity fund	4,209,099	-	-
Domestic equity index fund	3,642,554	-	-
Fixed income fund	2,440,214	-	-
Fund of funds	-	-	2,747,531
Mortgage-backed securities	-	700,329	-
Corporate bonds	5,980,738	-	-
Foreign government bonds	58,561	-	-
U.S treasury notes	-	-	-

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, 2016 and 2015, 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 972,195	\$ 972,195
Buildings	5,916,440	5,647,292
Furniture and equipment	935,890	734,961
Software In Use	<u>2,682,681</u>	<u>2,141,193</u>
	10,507,206	9,495,641
Less accumulated depreciation and amortization	<u>2,989,561</u>	<u>2,523,310</u>
Net depreciable property and equipment	7,517,645	6,972,331
Software development	<u>113,678</u>	<u>624,882</u>
Property and equipment, net	<u>\$ 7,631,323</u>	<u>\$ 7,597,213</u>

7. Line of Credit

The College had an uncommitted line of credit with a maximum loan amount of \$1,000,000 plus interest at the 30 day LIBOR rate plus 2.00%. The line of credit expired on February 28, 2016. No amounts were drawn on the line in 2016 or 2015.

8. Employee Benefit Plans

The College has a defined contribution retirement plan, covering substantially all of its employees. Retirement expense totaled \$613,932 and \$569,490 in 2016 and 2015, 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 \$123,336 and \$105,130 as of June 30, 2016 and 2015, 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 \$2,299,645 and \$2,128,389 in 2016 and 2015, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2016 and 2015 is \$329,294 and \$756,660, respectively, due from the Foundation.

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, \$400,734 and \$385,968 are due to the Publisher as of June 30, 2016 and 2015, 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 \$4,755,749 and \$3,190,929 in 2016 and 2015, 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.