

SJÖGREN'S SYNDROME FOUNDATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

(with summarized comparative information for June 30, 2015)

TABLE OF CONTENTS

Page

FINANCIAL STATEMENTS

Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 19

SUPPLEMENTARY INFORMATION

Schedule of Income and Expenses by Department	20
---	----

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sjögren's Syndrome Foundation
Bethesda, Maryland

We have audited the accompanying financial statements of Sjögren's Syndrome Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 these 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 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 audit. We conducted our audit 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 of 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 Sjögren's Syndrome Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sjögren's Syndrome Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of income and expenses by department on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Renner and Company, CPA, P.C.

Alexandria, Virginia
November 11, 2016

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF FINANCIAL POSITION***June 30, 2016 (with summarized comparative information as of June 30, 2015)*

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 181,279	\$ 86,190
Investments	366,478	301,528
Accounts receivable	39,724	62,468
Inventory	3,872	3,961
Prepaid expenses	<u>13,718</u>	<u>26,167</u>
TOTAL CURRENT ASSETS	<u>605,071</u>	<u>480,314</u>
PROPERTY AND EQUIPMENT, at cost, net	<u>13,558</u>	<u>22,726</u>
OTHER ASSETS		
Deposits	<u>6,859</u>	<u>6,859</u>
TOTAL ASSETS	<u><u>\$ 625,488</u></u>	<u><u>\$ 509,899</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,073	\$ 39,865
Grants payable	182,500	143,750
Accrued expenses	23,653	66,388
Deferred revenue	155,691	124,982
Capital leases payable	2,743	7,145
Deferred rent	<u>12,826</u>	<u>9,801</u>
TOTAL CURRENT LIABILITIES	<u>387,486</u>	<u>391,931</u>
LONG TERM LIABILITIES		
Capital lease payable, net of current portion	-	2,743
Deferred rent, net of current portion	<u>2,609</u>	<u>15,436</u>
TOTAL LONG TERM LIABILITIES	<u>2,609</u>	<u>18,179</u>
TOTAL LIABILITIES	<u>390,095</u>	<u>410,110</u>
UNRESTRICTED NET ASSETS	<u>235,393</u>	<u>99,789</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 625,488</u></u>	<u><u>\$ 509,899</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE		
Contributions	\$ 1,313,486	\$ 1,047,088
Bequests and planned giving	208,714	70,574
Conferences	94,227	104,682
Membership dues	231,267	234,327
Newsletter	64,378	117,593
Product sales	35,296	51,693
Other	17,717	25,210
Royalties	2,114	2,561
Special events, net of direct costs	258,753	262,863
Investment income	<u>1,492</u>	<u>6,823</u>
TOTAL SUPPORT AND REVENUE	<u>2,227,444</u>	<u>1,923,414</u>
EXPENSES		
Program	1,793,745	1,588,200
Management and general	97,651	89,959
Fundraising	<u>200,444</u>	<u>190,866</u>
TOTAL EXPENSES	<u>2,091,840</u>	<u>1,869,025</u>
CHANGE IN NET ASSETS	135,604	54,389
NET ASSETS, beginning of year	<u>99,789</u>	<u>45,400</u>
NET ASSETS, end of year	<u><u>\$ 235,393</u></u>	<u><u>\$ 99,789</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	2016			2015	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 758,745	\$ 44,102	\$ 97,206	\$ 900,053	\$ 868,280
Payroll taxes	49,670	2,887	6,363	58,920	57,376
Employee benefits	110,662	6,434	14,177	131,273	106,619
Accounting	-	22,951	-	22,951	22,484
Audio visual	-	-	-	-	8,080
Awards	3,663	184	405	4,252	2,806
Awareness activities	121,758	-	161	121,919	34,086
Bank and credit card fees	14,439	40	13,154	27,633	28,190
Contracted services	54,275	949	1,840	57,064	36,270
Depreciation	9,405	547	1,205	11,157	13,070
Dues, subscriptions and registration fees	7,151	266	586	8,003	3,982
Equipment rental	7,356	335	738	8,429	3,898
Food and beverage	70,913	753	-	71,666	60,601
Industry sponsored program	740	-	-	740	980
Insurance	8,635	502	1,106	10,243	7,858
Interest	-	1,939	-	1,939	2,538
Legal	-	3,150	-	3,150	-
Maintenance and repairs	23,970	1,392	3,071	28,433	37,474
Miscellaneous	10,432	289	1,502	12,223	8,610
Parking	9,831	572	1,259	11,662	9,303
Payroll processing fees	5,695	330	729	6,754	6,169
Postage and delivery	77,362	2,261	21,174	100,797	94,777
Printing, duplicating and office supplies	90,276	1,173	21,254	112,703	104,908
Product costs	12,458	-	-	12,458	19,547
Rent	94,452	5,489	12,101	112,042	112,620
Research grants	155,500	-	-	155,500	125,000
Staff development	98	5	12	115	3,099
Telephone	18,739	1,088	2,401	22,228	19,755
Travel	77,520	-	-	77,520	70,645
DSL	-	13	-	13	-
TOTAL EXPENSES	<u>\$ 1,793,745</u>	<u>\$ 97,651</u>	<u>\$ 200,444</u>	<u>\$ 2,091,840</u>	<u>\$ 1,869,025</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF CASH FLOWS***Year Ended June 30, 2016**(with comparative information for the year ended June 30, 2015)*

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 2,270,214	\$ 1,934,361
Interest and dividends	23,378	15,210
	<u>2,293,592</u>	<u>1,949,571</u>
Cash used in operations		
Payment to suppliers and employees	2,109,785	1,897,021
Interest paid	1,939	2,538
	<u>2,111,724</u>	<u>1,899,559</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>181,868</u>	<u>50,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	(1,989)	(3,177)
Sale of investments	6,359	122,115
Purchase of investments	<u>(84,004)</u>	<u>(111,392)</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(79,634)</u>	<u>7,546</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(7,145)</u>	<u>(12,082)</u>
NET INCREASE IN CASH	95,089	45,476
CASH, beginning of year	<u>86,190</u>	<u>40,714</u>
CASH, end of year	<u>\$ 181,279</u>	<u>\$ 86,190</u>
NON CASH INVESTING ACTIVITIES		
Unrealized loss in market value of investments	\$ 17,173	\$ 12,500
Decrease in investment value	(17,173)	(12,500)
In-kind stock donation	(9,191)	(13,652)
Increase in investment value	<u>9,191</u>	<u>13,652</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

(with comparative information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 135,604</u>	<u>\$ 54,389</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Realized gain and unrealized loss on investments	21,886	8,387
Depreciation	11,157	13,070
Loss on disposal of assets	-	543
In-kind stock donation	(9,191)	(13,652)
Non-cash occupancy costs	<u>(9,802)</u>	<u>(6,851)</u>
NET ADJUSTMENTS	<u>14,050</u>	<u>1,497</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH ASSETS		
Accounts receivable	22,744	19,414
Inventory	89	(342)
Prepaid expense	<u>12,449</u>	<u>(17,996)</u>
	<u>35,282</u>	<u>1,076</u>
LIABILITIES		
Accounts payable	(29,792)	(32,513)
Grants payable	38,750	32,500
Accrued expenses	(42,735)	(18,944)
Deferred revenue	<u>30,709</u>	<u>12,007</u>
	<u>(3,068)</u>	<u>(6,950)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>32,214</u>	<u>(5,874)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 181,868</u></u>	<u><u>\$ 50,012</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

Sjögren's Syndrome Foundation (the Foundation) was founded in 1983 to provide patients practical information and coping strategies that minimize the effects of Sjögren's syndrome. In addition, the Foundation is the clearinghouse for medical information and is the recognized national advocate for Sjögren's syndrome in the United States. The Foundation's mission is to educate patients and their families about Sjögren's syndrome, increase public and professional awareness of Sjögren's syndrome and encourage research into new treatments and a cure.

The Foundation was incorporated in New York as a nonprofit organization. It is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been granted public charity status by the Internal Revenue Service. Contributions to the Foundation are deductible for U.S. income tax purposes. The Foundation is supported by contributors and members throughout the United States. The Foundation receives no government support.

Significant Accounting Policies

Basis of Accounting

The Foundation maintains its records on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

Cash consists of a noninterest-bearing checking account and an interest-bearing savings account. The Foundation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. There are no cash equivalents as of June 30, 2016 and 2015. The Foundation considers cash and money market funds held within brokered accounts as investments.

Investments

Investments with readily determinable market values are carried at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income in the Statement of Activities.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Investments (Continued)

The Foundation invests in professionally managed portfolios that contain cash, mutual funds and money market funds. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Accounts Receivable

Accounts receivable are stated as unpaid balance, less any allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. Accounts receivable are considered past due if payments are not received within 60 days of the invoice date. Management periodically reviews accounts receivable to evaluate collectibility.

Inventory

Product inventory is carried at cost.

Property and Equipment

Property in excess of \$250 is capitalized and recorded at cost. Depreciation is calculated on the straight-line method over estimated useful lives. Immaterial items may be expensed at the discretion of management. Significant renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred.

Website Development

Website development expenditures are recorded at cost. These costs are being amortized over the estimated useful life of the website using straight-line basis. As of June 30, 2016 and 2015, website development costs of \$60,847 have been fully amortized.

Deferred Revenue

Amounts received in advance for dues and sponsorships are deferred and recognized in the year to which they apply.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Deferred Rent

The Foundation recognizes rent expense on a straight-line basis over the term of each lease. Lease incentives or abatements received at or near the inception of leases are accrued and amortized over the life of the leases.

Classes of Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the Foundation classifies resources for accounting purposes into classes established according to their nature and purpose.

Under these principles, the net assets of the Foundation are divided into three classes: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets include net assets which are available for the general operations of the Foundation and those designated by the Board as a reserve.

Temporarily Restricted Net Assets include net assets which are subject to donor-imposed restrictions for support of a particular operating activity. There are no temporarily restricted net assets as of June 30, 2016 and 2015.

Permanently Restricted Net Assets include net assets that are subject to donor-imposed restrictions held in perpetuity by the Foundation. There are no permanently restricted net assets as of June 30, 2016 and 2015.

Allocation of Functional Expenses

In the accompanying financial statements, personnel and administrative costs and rent have been allocated between program and operating expenses based on level of effort. Operating expenses consist of general and administrative expenses. Fundraising expenses consist of development expenses.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Recognition of Support

Contributions with donor-imposed restrictions are reported as restricted support; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions, and has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue earned in the publication of the Foundation's magazine, less applicable deduction, is subject to unrelated business income tax. The Foundation had no net unrelated business income for the year ended June 30, 2016 and 2015.

The Foundation's Federal Exempt Organization Business Income Tax returns (Form 990 and Form 990-T) for 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they are filed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

2. CASH

Cash as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Checking	\$ 29,568	\$ 84,480
Savings	151,711	1,710
	<u>\$ 181,279</u>	<u>\$ 86,190</u>

The above balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2016 and 2015, all cash was insured by the Federal Deposit Insurance Corporation.

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2016 and 2015 as shown below:

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 67,920	\$ 67,920	\$ -
Mutual funds			
Mid-cap growth	36,036	33,825	(2,211)
Mid-cap blend	16,860	18,838	1,978
High yield bond	16,348	15,361	(987)
Intermediate-term bond	49,119	50,366	1,247
World bond	24,694	23,731	(963)
Foreign large growth	42,199	35,222	(6,977)
Short-term bond	24,583	24,843	260
Large blend	73,087	96,372	23,285
	<u>\$ 350,846</u>	<u>\$ 366,478</u>	<u>\$ 15,632</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

3. INVESTMENTS (Continued)

	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 15,713	\$ 15,713	\$ -
Mutual funds			
Mid-cap growth	30,494	31,903	1,409
Mid-cap blend	15,317	17,371	2,054
High yield bond	14,622	14,592	(30)
Intermediate-term bond	49,000	49,067	67
World bond	22,620	23,357	737
Short-term bond	24,500	24,537	37
Large blend	95,318	123,740	28,422
Common stock			
Energy	224	1,248	1,024
	<u>\$ 267,808</u>	<u>\$ 301,528</u>	<u>\$ 33,720</u>

Recorded investment income, including interest on cash accounts for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Interest and dividends	\$ 17,751	\$ 19,008
Realized gain	4,713	4,113
Unrealized loss	(17,173)	(12,500)
Investment management fees	(3,799)	(3,798)
	<u>\$ 1,492</u>	<u>\$ 6,823</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

4. FAIR VALUE MEASUREMENTS

The Foundation records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

4. FAIR VALUE MEASUREMENTS (Continued)

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of June 30, 2016 and 2015:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Cash and money market fund	\$ 67,920	\$ 67,920	\$ -	\$ -
Mutual funds				
Mid-cap growth	33,825	33,825	-	-
Mid-cap blend	18,838	18,838	-	-
High yield bond	15,361	15,361	-	-
Intermediate-term bond	50,366	50,366	-	-
World blend	23,731	23,731	-	-
Foreign large growth	35,222	35,222	-	-
Short-term bond	24,843	24,843	-	-
Large blend	96,372	96,372	-	-
	<u>\$ 366,478</u>	<u>\$ 366,478</u>	<u>\$ -</u>	<u>\$ -</u>
	2015			
	Fair Value	Level 1	Level 2	Level 3
Cash and money market fund	\$ 15,713	\$ 15,713	\$ -	\$ -
Mutual funds				
Mid-cap growth	31,903	31,903	-	-
Mid-cap blend	17,371	17,371	-	-
High yield bond	14,592	14,592	-	-
Intermediate-term bond	49,067	49,067	-	-
World bond	23,357	23,357	-	-
Short-term bond	24,537	24,537	-	-
Large blend	123,740	123,740	-	-
Common stock				
Energy	1,248	1,248	-	-
	<u>\$ 301,528</u>	<u>\$ 301,528</u>	<u>\$ -</u>	<u>\$ -</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Advertising	\$ 6,450	\$ 18,525
Sponsorships	6,500	30,750
Partnership	11,500	-
Other	15,274	13,193
	<u>\$ 39,724</u>	<u>\$ 62,468</u>

6. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2016 and 2015 is as follows:

	June 30, 2016			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 81,789	\$ 3,631	\$ 72,914	5-7
Equipment under capital lease	44,723	7,526	40,040	5
	<u>\$ 126,512</u>	<u>\$ 11,157</u>	<u>\$ 112,954</u>	
	June 30, 2015			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 81,526	\$ 4,125	\$ 71,009	5-7
Equipment under capital lease	44,723	8,945	32,514	5
	<u>\$ 126,249</u>	<u>\$ 13,070</u>	<u>\$ 103,523</u>	

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

7. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Dues collected in advance	\$ 109,741	\$ 113,351
Sponsorships for future meetings	45,950	11,631
	<u>\$ 155,691</u>	<u>\$ 124,982</u>

8. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2016 and 2015 is presented in the accompanying financial statements as follows:

	2016	2015
Walkabouts and Sips events support and revenue	\$ 388,157	\$ 365,315
Walkabouts and Sips events direct costs	<u>(129,404)</u>	<u>(102,452)</u>
	<u>\$ 258,753</u>	<u>\$ 262,863</u>

Direct costs to special events of \$129,404 and \$102,452 includes in-kind expenses and other services in the amount of \$6,250 and \$4,750 for the years ended June 30, 2016 and 2015, respectively.

9. RETIREMENT PLAN

The Foundation established a 401(k) retirement plan for all eligible employees. Employees are eligible to join the plan after one year of employment. For the years ended June 30, 2016 and 2015, the Foundation contributed 3% of the employees' annual salary in the amount of \$15,106 and \$14,840, respectively.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

10. COMMITMENTS

Office Lease

The Foundation leases office space in Bethesda, Maryland. The lease provides for base monthly rental payments of \$9,344 with a cost of living increase of 2.50% occurring each year. The lease also provides for additional annual rent based on increases in operating expenses and real estate taxes. Rent expense for the years ended June 30, 2016 and 2015 was \$112,042 and \$112,620, respectively.

The future minimum lease payments required under this lease are as follows:

2017	\$	124,026
2018		<u>21,144</u>
	\$	<u><u>145,170</u></u>

Operating Lease

The Foundation leases a postage meter and the lease provides for base monthly rental payments of \$548 for 42 months. Rent expense for the years ended June 30, 2016 and 2015 was \$4,930.

The future minimum lease payments required under this lease are as follows:

2017	\$	6,576
2018		<u>4,932</u>
	\$	<u><u>11,508</u></u>

Obligation under Capital Lease

The Foundation leases a digital copier and envelope inserter/stuffer. The assets and liabilities under the capital lease were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets were depreciated over their related lease term.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

10. COMMITMENTS (Continued)

Obligation under Capital Lease (continued)

Payments under the capital leases are due as follows:

	Total Payment	Interest Portion	Net
2017	<u>\$ 4,715</u>	<u>\$ 1,972</u>	<u>\$ 2,743</u>

Interest expense for the years ended June 30, 2016 and 2015 was \$1,939 and \$2,538, respectively.

Employment Commitment

The Foundation has an agreement for employment in which it could be required to pay severance of \$97,500 in the event the agreement is terminated for any reason other than "for cause".

Hotel Agreements

The Foundation entered into agreements with hotels for future conventions and meetings. In the event of cancellation of these agreements on June 30, 2016, the maximum cancellation penalty would have been \$69,196. Subsequent to year end, the Foundation had satisfied the terms of these contracts.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 11, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SJÖGREN'S SYNDROME FOUNDATION

SCHEDULE OF INCOME AND EXPENSES BY DEPARTMENT

Year Ended June 30, 2016

	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
SUPPORT AND REVENUE											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,626	\$ 621,094	\$ 577,766	\$ -	\$ -	\$ 1,313,486
Bequests and planned giving	-	-	-	-	-	-	-	208,714	-	-	208,714
Conferences	-	-	-	94,227	-	-	-	-	-	-	94,227
Membership dues	-	-	-	-	-	-	231,267	-	-	-	231,267
Newsletter	-	-	64,378	-	-	-	-	-	-	-	64,378
Product sales	-	-	-	-	35,296	-	-	-	-	-	35,296
Other	3,328	-	-	-	-	-	-	14,389	-	-	17,717
Royalties	-	-	-	-	2,114	-	-	-	-	-	2,114
Special events, net of direct costs	-	-	-	-	-	-	-	258,753	-	-	258,753
Investment income	1,492	-	-	-	-	-	-	-	-	-	1,492
TOTAL SUPPORT AND REVENUE	4,820	-	64,378	94,227	37,410	114,626	852,361	1,059,622	-	-	2,227,444
EXPENSES											
Salaries	44,102	37,802	91,175	66,874	5,760	95,766	197,562	97,206	32,492	231,314	900,053
Payroll taxes	2,887	2,475	5,969	4,378	377	6,269	12,933	6,363	2,127	15,142	58,920
Employee benefits	6,434	5,513	13,298	9,753	840	13,967	28,815	14,177	4,739	33,737	131,273
Accounting	22,951	-	-	-	-	-	-	-	-	-	22,951
Awards	184	158	380	279	24	899	824	405	135	964	4,252
Awareness activities	-	-	-	-	-	-	-	161	-	121,758	121,919
Bank and credit card fees	40	-	799	1,170	464	1,423	10,583	13,154	-	-	27,633
Contracted services	949	-	18,400	3,680	2,850	-	17,493	1,840	-	11,852	57,064
Depreciation	547	469	1,130	829	71	1,187	2,449	1,205	403	2,867	11,157
Dues, subscriptions and registration fees	266	227	549	402	34	576	1,190	586	196	3,977	8,003
Equipment rental	335	287	693	508	44	727	1,501	738	247	3,349	8,429
Food and beverage	753	7,347	-	52,618	-	-	10,948	-	-	-	71,666
Industry sponsored program	-	-	-	-	-	-	740	-	-	-	740
Insurance	502	430	1,038	761	66	1,090	2,248	1,106	370	2,632	10,243
Interest	1,939	-	-	-	-	-	-	-	-	-	1,939
Legal	3,150	-	-	-	-	-	-	-	-	-	3,150
Maintenance and repairs	1,392	1,194	2,881	2,112	182	3,026	6,241	3,071	1,027	7,307	28,433
Miscellaneous	289	247	596	4,407	38	626	1,292	1,502	1,713	1,513	12,223
Parking	572	490	1,181	866	75	1,241	2,560	1,259	421	2,997	11,662
Payroll processing	330	284	684	502	43	719	1,483	729	244	1,736	6,754
Postage and delivery	2,261	1,936	41,799	3,426	295	4,906	10,122	21,174	1,664	13,214	100,797
Printing, duplicating and office supplies	1,173	1,005	52,323	12,316	153	2,545	12,978	21,254	863	8,093	112,703
Product costs	-	-	-	-	12,458	-	-	-	-	-	12,458
Rent	5,489	4,706	11,350	8,325	717	11,921	24,593	12,101	4,045	28,795	112,042
Research grants	-	-	-	-	-	155,500	-	-	-	-	155,500
Staff development	5	5	12	9	1	12	25	12	4	30	115
Telephone	1,088	934	2,252	1,652	142	2,365	4,879	2,401	802	5,713	22,228
Travel	-	18,114	-	15,007	-	-	28,386	-	-	16,013	77,520
DSL	13	-	-	-	-	-	-	-	-	-	13
TOTAL EXPENSES	\$ 97,651	\$ 83,623	\$ 246,509	\$ 189,874	\$ 24,634	\$ 304,765	\$ 379,845	\$ 200,444	\$ 51,492	\$ 513,003	\$ 2,091,840
CHANGE IN NET ASSETS	\$ (92,831)	\$ (83,623)	\$ (182,131)	\$ (95,647)	\$ 12,776	\$ (190,139)	\$ 472,516	\$ 859,178	\$ (51,492)	\$ (513,003)	\$ 135,604

See Independent Auditors' Report.