

SJÖGREN'S SYNDROME FOUNDATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

(with Summarized Comparative Information for June 30, 2016)

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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, 2017, 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 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 Sjögren's Syndrome Foundation as of June 30, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 19 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
October 31, 2017

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF FINANCIAL POSITION***June 30, 2017 (with summarized comparative information as of June 30, 2016)*

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 147,476	\$ 181,279
Accounts receivable	68,065	39,724
Inventory	4,311	3,872
Prepaid expenses	<u>24,176</u>	<u>13,718</u>
TOTAL CURRENT ASSETS	<u>244,028</u>	<u>238,593</u>
PROPERTY AND EQUIPMENT, at cost, net	<u>9,044</u>	<u>13,558</u>
OTHER ASSETS		
Investments	419,778	366,478
Deposits	<u>6,859</u>	<u>6,859</u>
TOTAL OTHER ASSETS	<u>426,637</u>	<u>373,337</u>
TOTAL ASSETS	<u><u>\$ 679,709</u></u>	<u><u>\$ 625,488</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,928	\$ 10,073
Grants payable	115,000	140,000
Accrued expenses	21,728	23,653
Deferred revenue	138,981	155,691
Capital leases payable	-	2,743
Deferred rent	<u>1,305</u>	<u>12,826</u>
TOTAL CURRENT LIABILITIES	<u>288,942</u>	<u>344,986</u>
LONG TERM LIABILITIES		
Grants payable, net of current portion	36,250	42,500
Deferred rent, net of current portion	<u>-</u>	<u>2,609</u>
TOTAL LONG TERM LIABILITIES	<u>36,250</u>	<u>45,109</u>
TOTAL LIABILITIES	<u>325,192</u>	<u>390,095</u>
UNRESTRICTED NET ASSETS	<u>354,517</u>	<u>235,393</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 679,709</u></u>	<u><u>\$ 625,488</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE		
Contributions	\$ 1,486,745	\$ 1,313,486
Bequests and planned giving	29,969	208,714
Conferences	124,710	94,227
Membership dues	227,317	231,267
Newsletter	98,688	64,378
Product sales	28,250	35,296
Other	19,148	17,717
Royalties	1,956	2,114
Special events, net of direct costs	235,151	258,753
Investment income	41,906	1,492
	<u>2,293,840</u>	<u>2,227,444</u>
TOTAL SUPPORT AND REVENUE		
EXPENSES		
Program	1,828,606	1,793,745
Management and general	106,514	97,651
Fundraising	239,596	200,444
	<u>2,174,716</u>	<u>2,091,840</u>
TOTAL EXPENSES		
CHANGE IN NET ASSETS	119,124	135,604
NET ASSETS, beginning of year	<u>235,393</u>	<u>99,789</u>
NET ASSETS, end of year	<u><u>\$ 354,517</u></u>	<u><u>\$ 235,393</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

	2017			2016	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 803,963	\$ 50,322	\$ 107,856	\$ 962,141	\$ 900,053
Payroll taxes	52,567	3,291	7,052	62,910	58,920
Employee benefits	138,167	8,647	18,536	165,350	131,273
Accounting	-	23,896	-	23,896	22,951
Awards	1,905	120	256	2,281	4,252
Awareness activities	104,959	-	162	105,121	121,919
Bank and credit card fees	14,710	-	15,899	30,609	27,633
Contracted services	50,966	3,190	6,837	60,993	57,064
Depreciation	5,424	338	728	6,490	11,157
Dues, subscriptions and registration fees	8,486	402	3,665	12,553	8,003
Equipment rental	16,147	995	2,134	19,276	8,429
Food and beverage	63,212	521	-	63,733	71,666
Industry sponsored program	5,112	-	-	5,112	740
Insurance	8,258	517	1,108	9,883	10,243
Interest	-	1,643	-	1,643	1,939
Legal	-	-	-	-	3,150
Maintenance and repairs	23,100	1,449	3,099	27,648	28,433
Miscellaneous	35,984	373	6,247	42,604	12,223
Parking	9,281	582	1,245	11,108	11,662
Payroll processing fees	5,826	364	781	6,971	6,754
Postage and delivery	73,007	2,245	18,713	93,965	100,797
Printing, duplicating and office supplies	72,549	598	30,229	103,376	112,703
Product costs	7,956	-	-	7,956	12,458
Rent	92,529	5,791	12,413	110,733	112,042
Research grants	145,500	-	-	145,500	155,500
Staff development	1,737	109	233	2,079	115
Telephone	17,908	1,121	2,403	21,432	22,228
Travel	69,353	-	-	69,353	77,520
DSL	-	-	-	-	13
TOTAL EXPENSES	\$ 1,828,606	\$ 106,514	\$ 239,596	\$ 2,174,716	\$ 2,091,840

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF CASH FLOWS***Year Ended June 30, 2017**(with comparative information for the year ended June 30, 2016)*

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 2,206,882	\$ 2,270,214
Interest and dividends	10,835	23,378
	<u>2,217,717</u>	<u>2,293,592</u>
Cash used in operations		
Payment to suppliers and employees	2,222,754	2,109,785
Interest paid	1,643	1,939
	<u>2,224,397</u>	<u>2,111,724</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(6,680)</u>	<u>181,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	(2,151)	(1,989)
Sale of investments	46,482	6,359
Purchase of investments	<u>(68,711)</u>	<u>(84,004)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(24,380)</u>	<u>(79,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(2,743)</u>	<u>(7,145)</u>
NET (DECREASE) INCREASE IN CASH	(33,803)	95,089
CASH, beginning of year	<u>181,279</u>	<u>86,190</u>
CASH, end of year	<u>\$ 147,476</u>	<u>\$ 181,279</u>
NON CASH INVESTING ACTIVITIES		
Unrealized (gain) loss in market value of investments	\$ (20,823)	\$ 17,173
Increase (decrease) in investment value	20,823	(17,173)
In-kind stock donation	(14,306)	(9,191)
Increase in investment value	<u>14,306</u>	<u>9,191</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(with comparative information for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 119,124</u>	<u>\$ 135,604</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Realized and unrealized (gains) losses on investments	(31,071)	21,886
Depreciation	6,490	11,157
Loss on disposal of assets	176	-
In-kind stock donation	-	(9,191)
Non-cash occupancy costs	<u>(14,131)</u>	<u>(9,802)</u>
NET ADJUSTMENTS	<u>(38,536)</u>	<u>14,050</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable	(28,341)	22,744
Inventory	(439)	89
Prepaid expenses	<u>(10,458)</u>	<u>12,449</u>
	<u>(39,238)</u>	<u>35,282</u>
LIABILITIES		
Accounts payable	1,855	(29,792)
Grants payable	(31,250)	38,750
Accrued expenses	(1,925)	(42,735)
Deferred revenue	<u>(16,710)</u>	<u>30,709</u>
	<u>(48,030)</u>	<u>(3,068)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(87,268)</u>	<u>32,214</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (6,680)</u>	<u>\$ 181,868</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

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.

Summarized Information

The financial statements include certain summarized comparative information in total, but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

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, 2017 and 2016. The Foundation considers cash and money market funds held within brokered accounts as investments.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

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

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.

The Foundation invests in professionally managed portfolios that contain cash, mutual funds, exchange traded 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. Uncollectible receivables will be written off when management determines the receivable will not be collected.

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, 2017 and 2016, website development costs of \$60,847 have been fully amortized.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

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

Deferred Revenue

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

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017

(with summarized comparative information for the year ended June 30, 2016)

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.

In-Kind Support

Donated materials and services represent the estimated fair value of materials and services provided. The contributions of services are recognized if the services received create non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

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, 2017 and 2016.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Foundation's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

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, 2017

(with summarized comparative information for the year ended June 30, 2016)

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

2. CASH

Cash as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Checking	\$ 32,242	\$ 29,568
Savings	115,234	151,711
	<u>\$ 147,476</u>	<u>\$ 181,279</u>

The above balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2017 and 2016, all cash was insured by the Federal Deposit Insurance Corporation.

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2017 and 2016 as shown below:

	2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 82,666	\$ 82,666	\$ -
Exchange traded funds			
Mid-cap blend	16,860	21,516	4,656
Mutual funds			
Mid-cap growth	19,386	18,973	(413)
High yield bond	17,369	17,323	(46)
Intermediate term bond	51,106	51,403	297
World bond	24,731	26,203	1,472
Foreign large growth	42,739	43,096	357
Short-term bond	25,124	25,255	131
Foreign mid growth	18,757	21,154	2,397
Large blend	79,769	112,189	32,420
	<u>\$ 378,507</u>	<u>\$ 419,778</u>	<u>\$ 41,271</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

3. INVESTMENTS (Continued)

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 67,920	\$ 67,920	\$ -
Exchange-traded funds			
Mid-cap blend	16,860	18,838	1,978
Mutual funds			
Mid-cap growth	36,036	33,825	(2,211)
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>

Recorded investment income, including interest on cash accounts for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest and dividends	\$ 14,056	\$ 17,751
Realized gain	10,248	4,713
Unrealized gain (loss)	20,823	(17,173)
Investment management fees	(3,221)	(3,799)
	<u>\$ 41,906</u>	<u>\$ 1,492</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

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, 2017

(with summarized comparative information for the year ended June 30, 2016)

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, 2017 and 2016:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 82,666	\$ 82,666	\$ -	\$ -
Exchange traded funds				
Mid-cap blend	21,516	21,516	-	-
Mutual funds				
Mid-cap growth	18,973	18,973	-	-
High yield bond	17,323	17,323	-	-
Intermediate term bond	51,403	51,403	-	-
World bond	26,203	26,203	-	-
Foreign large growth	43,096	43,096	-	-
Short-term bond	25,255	25,255	-	-
Foreign mid growth	21,154	21,154	-	-
Large blend	112,189	112,189	-	-
	<u>\$ 419,778</u>	<u>\$ 419,778</u>	<u>\$ -</u>	<u>\$ -</u>
	2016			
	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 67,920	\$ 67,920	\$ -	\$ -
Exchange traded funds				
Mid-cap blend	18,838	18,838	-	-
Mutual funds				
Mid-cap growth	33,825	33,825	-	-
High yield bond	15,361	15,361	-	-
Intermediate-term bond	50,366	50,366	-	-
World bond	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>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Advertising	\$ 500	\$ 6,450
Sponsorships	5,750	6,500
Partnership	45,165	11,500
Other	16,650	15,274
	<u>\$ 68,065</u>	<u>\$ 39,724</u>

6. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2017 and 2016 is as follows:

	June 30, 2017			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 82,274	\$ 3,368	\$ 75,311	5-7
Equipment under capital lease	44,723	3,122	42,642	5
	<u>\$ 126,997</u>	<u>\$ 6,490</u>	<u>\$ 117,953</u>	
	June 30, 2016			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 81,789	\$ 3,631	\$ 73,434	5-7
Equipment under capital lease	44,723	7,526	39,520	5
	<u>\$ 126,512</u>	<u>\$ 11,157</u>	<u>\$ 112,954</u>	

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

7. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Dues collected in advance	\$ 112,981	\$ 109,741
Sponsorships for future meetings	<u>26,000</u>	<u>45,950</u>
	<u>\$ 138,981</u>	<u>\$ 155,691</u>

8. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2017 and 2016 is presented in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Walkabouts and Sips events support and revenue	\$ 325,229	\$ 388,157
Walkabouts and Sips events direct costs	<u>(90,078)</u>	<u>(129,404)</u>
	<u>\$ 235,151</u>	<u>\$ 258,753</u>

Direct costs to special events of \$90,078 and \$129,404 includes in-kind expenses and other services in the amount of \$4,500 and \$6,250 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Foundation contributed 3% of the employees' annual salary in the amount of \$18,610 and \$15,106, respectively.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

10. COMMITMENTS

Office Leases

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. During 2017, the Foundation extended this lease until December 31, 2017. Rent expense for the years ended June 30, 2017 and 2016 was \$110,733 and \$112,042, respectively.

Future minimum lease payments required related to this lease as of June 30, 2017 are \$63,431.

The Foundation also entered into an office lease agreement during 2017 for space in Reston, Virginia to be utilized when its lease in Bethesda, Maryland expires. The lease will commence beginning January 2018. The lease provides for base monthly rental payments of \$8,949 with a cost of living increase of 2.50% occurring each year.

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

2018	\$	53,694
2019		108,730
2020		111,448
2021		114,234
2022		117,090
Thereafter		358,491
		<u>\$ 863,687</u>

Employment Commitment

The Foundation has an agreement for employment in which it could be required to pay severance of \$146,250 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, 2017, the maximum cancellation penalty would have been \$42,934.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2017, 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, 2017

SUPPORT AND REVENUE	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,189	\$ 834,837	\$ 517,719	\$ -	\$ -	\$ 1,486,745
Bequests and planned giving	-	-	-	-	-	-	-	29,969	-	-	29,969
Conferences	-	-	-	124,710	-	-	-	-	-	-	124,710
Membership dues	-	-	-	-	-	-	227,317	-	-	-	227,317
Newsletter	-	-	98,688	-	-	-	-	-	-	-	98,688
Product sales	-	-	-	-	28,250	-	-	-	-	-	28,250
Other	1,451	-	-	-	-	6,250	-	11,447	-	-	19,148
Royalties	-	-	-	-	1,956	-	-	-	-	-	1,956
Special events, net of direct costs	-	-	-	-	-	-	-	235,151	-	-	235,151
Investment income	41,906	-	-	-	-	-	-	-	-	-	41,906
TOTAL SUPPORT AND REVENUE	43,357	-	98,688	124,710	30,206	140,439	1,062,154	794,286	-	-	2,293,840
EXPENSES											
Salaries	50,322	37,620	81,108	52,725	6,927	122,384	222,543	107,856	39,736	240,920	962,141
Payroll taxes	3,291	2,460	5,303	3,447	453	8,002	14,551	7,052	2,598	15,753	62,910
Employee benefits	8,647	6,466	13,939	9,061	1,191	21,032	38,245	18,536	6,829	41,404	165,350
Accounting	23,896	-	-	-	-	-	-	-	-	-	23,896
Awards	120	89	192	125	16	290	528	256	94	571	2,281
Awareness activities	-	-	-	-	-	-	-	162	-	104,959	105,121
Bank and credit card fees	-	-	3,030	3,830	868	-	6,982	15,899	-	-	30,609
Contracted services	3,190	2,385	5,142	3,342	439	7,758	14,108	6,837	2,519	15,273	60,993
Depreciation	338	254	547	356	47	826	1,501	728	268	1,625	6,490
Dues, subscriptions and registration fees	402	300	647	421	55	976	1,774	3,665	317	3,996	12,553
Equipment rental	995	744	1,605	1,043	137	2,421	4,403	2,134	786	5,008	19,276
Food and beverage	521	8,233	-	47,083	-	-	7,896	-	-	-	63,733
Industry sponsored program	-	-	-	-	-	-	5,112	-	-	-	5,112
Insurance	517	386	833	542	71	1,257	2,286	1,108	408	2,475	9,883
Interest	1,643	-	-	-	-	-	-	-	-	-	1,643
Maintenance and repairs	1,449	1,081	2,330	1,515	199	3,516	6,394	3,099	1,142	6,923	27,648
Miscellaneous	373	282	608	28,965	52	917	2,056	6,247	1,298	1,806	42,604
Parking	582	434	936	609	80	1,413	2,569	1,245	459	2,781	11,108
Payroll processing	364	273	588	382	50	887	1,612	781	288	1,746	6,971
Postage and delivery	2,245	1,679	39,776	2,353	309	5,462	9,932	18,713	1,774	11,722	93,965
Printing, duplicating and office supplies	598	447	52,024	12,037	83	1,457	2,650	30,229	473	3,378	103,376
Product costs	-	-	-	-	7,956	-	-	-	-	-	7,956
Rent	5,791	4,330	9,335	6,068	797	14,085	25,613	12,413	4,573	27,728	110,733
Research grants	-	-	-	-	-	145,500	-	-	-	-	145,500
Staff development	109	81	175	114	15	264	481	233	86	521	2,079
Telephone	1,121	838	1,807	1,174	154	2,726	4,957	2,403	885	5,367	21,432
Travel	-	12,368	-	8,849	-	-	36,317	-	150	11,669	69,353
TOTAL EXPENSES	106,514	80,750	219,925	184,041	19,899	341,173	412,510	239,596	64,683	505,625	2,174,716
CHANGE IN NET ASSETS	\$ (63,157)	\$ (80,750)	\$ (121,237)	\$ (59,331)	\$ 10,307	\$ (200,734)	\$ 649,644	\$ 554,690	\$ (64,683)	\$ (505,625)	\$ 119,124

See Independent Auditors' Report.