

SJÖGREN'S SYNDROME FOUNDATION
(a nonprofit organization)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020
with Summarized Comparative Information for the year ended
June 30, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
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 - 20
SUPPLEMENTARY INFORMATION	
Schedule of Income and Expenses by Department	22

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sjögren's Syndrome Foundation
Reston, Virginia

We have audited the accompanying financial statements of Sjögren's Syndrome Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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.

Emphasis of Matter - Subsequent Event

As noted in Note 12 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact Foundation operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Report on Summarized Comparative Information

We have previously audited Sjögren's Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 22 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 16, 2020

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020 (with Comparative Information as of June 30, 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 1,012,259	\$ 686,061
Accounts receivable, net of allowance	119,474	69,094
Inventory	5,985	4,203
Prepaid expenses	<u>32,882</u>	<u>28,676</u>
TOTAL CURRENT ASSETS	<u>1,170,600</u>	<u>788,034</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	<u>132,567</u>	<u>161,714</u>
OTHER ASSETS		
Investments	1,083,977	1,051,275
Intangible assets - website development	62,772	-
Deposits	<u>8,949</u>	<u>8,949</u>
TOTAL OTHER ASSETS	<u>1,155,698</u>	<u>1,060,224</u>
TOTAL ASSETS	<u><u>\$ 2,458,865</u></u>	<u><u>\$ 2,009,972</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,256	\$ 28,938
Grants payable	83,750	165,000
Accrued expenses	28,741	24,702
Deferred revenue	345,155	106,848
Deferred tenant allowance	22,396	22,396
Capital lease payable	4,098	4,098
Deferred rent	<u>10,278</u>	<u>2,236</u>
TOTAL CURRENT LIABILITIES	<u>496,674</u>	<u>354,218</u>
LONG TERM LIABILITIES		
Grants payable, net of current portion	175,000	43,750
Capital lease payable, net of current portion	4,228	8,326
Paycheck Protection Program loan	211,800	-
Deferred rent, net of current portion	42,274	52,710
Deferred tenant allowance, net of current portion	<u>87,717</u>	<u>110,113</u>
TOTAL LONG TERM LIABILITIES	<u>521,019</u>	<u>214,899</u>
TOTAL LIABILITIES	<u>1,017,693</u>	<u>569,117</u>
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	440,276	367,959
With donor restrictions	<u>1,000,896</u>	<u>1,072,896</u>
TOTAL NET ASSETS	<u>1,441,172</u>	<u>1,440,855</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,458,865</u></u>	<u><u>\$ 2,009,972</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020 (with Summarized Comparative Information for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 1,752,037	\$ -	\$ 1,752,037	\$ 1,569,931
Membership dues	238,912	-	238,912	227,237
Special events, net of direct costs	201,812	-	201,812	209,746
Conferences	135,304	-	135,304	114,230
Bequests and planned giving	49,815	-	49,815	1,181,847
Investment income	22,024	-	22,024	29,952
Product sales	21,634	-	21,634	32,455
Newsletter	16,833	-	16,833	44,028
Other	14,360	-	14,360	11,055
Royalties	4,187	-	4,187	1,595
Net assets released from restrictions	72,000	(72,000)	-	-
TOTAL SUPPORT AND REVENUE	2,528,918	(72,000)	2,456,918	3,422,076
EXPENSES				
Program	2,113,736	-	2,113,736	2,034,558
Management and general	107,528	-	107,528	102,638
Fundraising	235,337	-	235,337	210,174
TOTAL EXPENSES	2,456,601	-	2,456,601	2,347,370
CHANGE IN NET ASSETS	72,317	(72,000)	317	1,074,706
NET ASSETS, beginning of year	367,959	1,072,896	1,440,855	366,149
NET ASSETS, end of year	\$ 440,276	\$ 1,000,896	\$ 1,441,172	\$ 1,440,855

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 (with Summarized Comparative Information for the year ended June 30, 2019)

	2020			2019	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 1,099,187	\$ 54,585	\$ 98,151	\$ 1,251,923	\$ 1,177,137
Payroll taxes	70,894	3,521	6,330	80,745	77,624
Employee benefits	152,221	8,047	13,592	173,860	145,152
Accounting	-	28,699	-	28,699	27,607
Awards	2,999	148	268	3,415	2,093
Awareness activities	69,231	-	587	69,818	93,122
Audio and visual	10,722	-	-	10,722	-
Bank and credit card fees	10,923	-	22,595	33,518	33,275
Contracted services	35,606	-	1,100	36,706	30,498
Depreciation	29,620	1,471	2,645	33,736	31,432
Dues, subscriptions and registration fees	8,469	73	8,331	16,873	12,316
Equipment rental	15,426	710	1,277	17,413	15,338
Food and beverage	15,444	-	-	15,444	57,930
Industry sponsored program	-	-	-	-	1,000
Insurance	7,090	352	633	8,075	7,275
Interest	-	120	-	120	356
Legal services donated	24,236	-	-	24,236	-
Maintenance and repairs	37,991	1,889	3,393	43,273	39,130
Miscellaneous	28,747	129	2,235	31,111	9,513
Philadelphia team	-	-	13,804	13,804	-
Payroll processing fees	6,409	319	572	7,300	7,668
Postage and delivery	64,223	1,577	14,858	80,658	82,906
Printing, duplicating and office supplies	62,655	845	35,903	99,403	96,604
Product costs	8,940	-	-	8,940	9,997
Rent	78,069	3,878	6,971	88,918	87,203
Research grants	204,345	-	-	204,345	177,028
Staff development	2,339	17	30	2,386	2,000
Telephone	23,086	1,148	2,062	26,296	25,127
Travel	44,864	-	-	44,864	98,039
TOTAL EXPENSES	\$ 2,113,736	\$ 107,528	\$ 235,337	\$ 2,456,601	\$ 2,347,370

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF CASH FLOWS****Year Ended June 30, 2020 (with Comparative Information for the year ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 2,622,821	\$ 3,440,734
Interest and dividends	21,609	20,033
	<u>2,644,430</u>	<u>3,460,767</u>
Cash used in operations		
Payment to suppliers and employees	2,425,440	2,319,306
Interest paid	120	356
	<u>2,425,560</u>	<u>2,319,662</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>218,870</u>	<u>1,141,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and property	(2,012)	(4,353)
Website development costs	(66,075)	-
Sale of investments	1,027,811	39,088
Purchase of investments	<u>(1,060,098)</u>	<u>(678,273)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(100,374)</u>	<u>(643,538)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	211,800	-
Payments on capital lease	<u>(4,098)</u>	<u>(4,056)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>207,702</u>	<u>(4,056)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	326,198	493,511
CASH AND RESTRICTED CASH, beginning of year	<u>686,061</u>	<u>192,550</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 1,012,259</u>	<u>\$ 686,061</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized loss (gain) in market value of investments	\$ 40,817	\$ (600)
(Decrease) increase in investment value	<u>(40,817)</u>	<u>600</u>
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION**STATEMENT OF CASH FLOWS****Year Ended June 30, 2020 (with Comparative Information for the year ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 317</u>	<u>\$ 1,074,706</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Realized and unrealized gains on investments	(415)	(9,919)
Depreciation	33,736	31,432
Loss on disposal of assets	726	-
Non-cash occupancy costs	<u>(24,790)</u>	<u>(22,208)</u>
NET ADJUSTMENTS	<u>9,257</u>	<u>(695)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable, net of allowance	(50,380)	84,720
Inventory	(1,782)	(173)
Prepaid expenses	<u>(4,206)</u>	<u>(25,850)</u>
	<u>(56,368)</u>	<u>58,697</u>
LIABILITIES		
Accounts payable	(26,682)	26,015
Grants payable	50,000	18,750
Accrued expenses	4,039	(258)
Deferred revenue	<u>238,307</u>	<u>(36,110)</u>
	<u>265,664</u>	<u>8,397</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>209,296</u>	<u>67,094</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 218,870</u></u>	<u><u>\$ 1,141,105</u></u>

See Notes to Financial Statements.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

1. ORGANIZATION AND PURPOSE, SIGNIFICANT ACCOUNTING POLICIES

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. In 2020, the Foundation changed its name to Sjögren's Foundation.

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 (U.S. GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, 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, 2020 and 2019. The Foundation considers cash and money market funds held within brokered accounts as investments.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (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 money market funds, certificates of deposit, mutual funds, and exchange traded 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 balances, 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, 2020, the Foundation incurred website development costs of \$66,075, of which, \$3,303 had been amortized.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (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.

In accordance with U.S. GAAP, the Foundation's net assets are classified into two categories as follows:

Net Assets Without Donor Restriction

The Foundation includes operating net assets which are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use. There are no board designated net assets as of June 30, 2020 and 2019.

Net Assets With Donor Restriction

The Foundation reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on with donor restricted funds held by the Foundation are recorded as an increase or decrease in net assets without donor restriction.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, payroll taxes, employee benefits, awards, awareness activities, audio and visual, bank and credit card fees, contracted services, depreciation, dues, subscriptions and registration fees, equipment rental, insurance, maintenance and repairs, miscellaneous, payroll processing fees, postage and delivery, printing, duplicating and office supplies, rent, staff development, and telephone costs, have been allocated among the program and supporting services based on level of effort.

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 support without donor restriction. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction 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. Donated services related to legal services totaled \$24,236 and \$0 for the years ended June 30, 2020 and 2019, respectively.

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 years ended June 30, 2020 and 2019.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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

Significant Accounting Policies (Continued)

Income Taxes (Continued)

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. GAAP 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.

Liquidity

The Foundation maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Foundation reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Foundation's monthly financial reporting process.

The Foundation's financial assets available within one year to meet cash needs for general expenditures through June 30, 2021 are as follows:

Financial Assets	
Cash	\$ 1,012,259
Accounts receivable, net of allowance	119,474
Investments	1,083,977
Total Financial assets	<u>2,215,710</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(1,000,896)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 1,214,814</u></u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

2. CASH

Cash as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Checking	\$ 342,524	\$ 180,793
Savings	669,735	505,268
	<u>\$ 1,012,259</u>	<u>\$ 686,061</u>

The above balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts in excess of deposit insurance limits were \$822,100 and \$513,030 as of June 30, 2020 and 2019, respectively. No restricted cash was recorded as of June 30, 2020 and 2019, respectively.

3. INVESTMENTS

Investments are recorded at fair value as of June 30, 2020 and 2019 as shown below:

	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 618,637	\$ 618,637	\$ -
Exchange traded funds			
Mid-cap blend	17,871	25,192	7,321
Large blend	133,091	138,762	5,671
Mutual funds			
Mid-cap growth	19,563	22,756	3,193
High yield bond	22,507	20,894	(1,613)
Intermediate term bond	106,488	109,591	3,103
Foreign large growth	46,392	40,768	(5,624)
Short-term bond	36,346	37,931	1,585
Ultrashort bond	30,000	30,023	23
Foreign mid growth	45,182	39,423	(5,759)
	<u>\$ 1,076,077</u>	<u>\$ 1,083,977</u>	<u>\$ 7,900</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

3. INVESTMENTS (CONTINUED)

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 52,047	\$ 52,047	\$ -
Certificates of deposit	600,000	601,872	1,872
Exchange-traded funds			
Mid-cap blend	17,871	26,259	8,388
Mutual funds			
Mid-cap growth	21,109	23,795	2,686
High yield bond	20,410	20,144	(266)
Intermediate-term bond	59,492	61,047	1,555
World bond	30,485	29,811	(674)
Foreign large growth	43,767	39,956	(3,811)
Short-term bond	23,685	24,007	322
Foreign large growth	40,613	39,011	(1,602)
Large blend	90,720	133,326	42,606
	<u>\$ 1,000,199</u>	<u>\$ 1,051,275</u>	<u>\$ 51,076</u>

Recorded investment income, including interest on cash accounts for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Interest and dividends	\$ 26,549	\$ 24,943
Realized and unrealized gains	415	9,919
Investment management fees	(4,940)	(4,910)
	<u>\$ 22,024</u>	<u>\$ 29,952</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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 Levels 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

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

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, 2020 and 2019:

	2020		
	Fair Value	Level 1	
Cash and money market funds	\$ 618,637	\$ 618,637	
Exchange traded funds			
Mid-cap blend	25,192	25,192	
Large blend	138,762	138,762	
Mutual funds			
Mid-cap growth	22,756	22,756	
High yield bond	20,894	20,894	
Intermediate term bond	109,591	109,591	
Foreign large growth	40,768	40,768	
Short-term bond	37,931	37,931	
Ultrashort bond	30,023	30,023	
Foreign mid growth	39,423	39,423	
	<u>\$ 1,083,977</u>	<u>\$ 1,083,977</u>	
	2019		
	Fair Value	Level 1	Level 2
Cash and money market funds	\$ 52,047	\$ 52,047	\$ -
Certificate of deposit	601,872	-	601,872
Exchange traded funds			
Mid-cap blend	26,259	26,259	-
Mutual funds			
Mid-cap growth	23,795	23,795	-
High yield bond	20,144	20,144	-
Intermediate term bond	61,047	61,047	-
World bond	29,811	29,811	-
Foreign large growth	39,956	39,956	-
Short-term bond	24,007	24,007	-
Foreign mid growth	39,011	39,011	-
Large blend	133,326	133,326	-
	<u>\$ 1,051,275</u>	<u>\$ 449,403</u>	<u>\$ 601,872</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

5. PROPERTY AND EQUIPMENT

A summary of information relative to property and equipment, and related depreciation for the year ended June 30, 2020 and 2019 is as follows:

	June 30, 2020			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 71,042	\$ 3,948	\$ 57,831	5-7
Equipment under capital lease	37,493	4,099	28,270	5
Leasehold improvements	166,103	22,386	55,970	7
	<u>\$ 274,638</u>	<u>\$ 30,433</u>	<u>\$ 142,071</u>	

	June 30, 2019			
	Cost	Depreciation/ amortization expense	Accumulated depreciation/ amortization	Useful life (years)
Office equipment	\$ 69,809	\$ 4,947	\$ 53,936	5-7
Equipment under capital lease	37,493	4,099	24,171	5
Leasehold improvements	166,103	22,386	33,584	7
	<u>\$ 273,405</u>	<u>\$ 31,432</u>	<u>\$ 111,691</u>	

6. DEFERRED REVENUE

The balance of deferred revenue as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Dues collected in advance	\$ 107,014	\$ 103,981
Sponsorships for future meetings	238,141	2,867
	<u>\$ 345,155</u>	<u>\$ 106,848</u>

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

7. PAYCHECK PROTECTION PROGRAM LOAN

The Foundation received loan proceeds in the amount of \$211,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The Foundation intends to use the proceeds for the purposes consistent with the PPP.

8. NET ASSETS WITH DONOR RESTRICTIONS

A summary of activity in net assets with donor restriction for the years ended June 30, 2020 and 2019 is as follows:

	2020			
	Balance at June 30, 2019	Revenue and Support	Released	Balance at June 30, 2020
Kozel Bequest - Research	<u>\$ 1,072,896</u>	<u>\$ -</u>	<u>\$ (72,000)</u>	<u>\$ 1,000,896</u>
	2019			
	Balance at June 30, 2018	Revenue and Support	Released	Balance at June 30, 2019
Kozel Bequest - Research	<u>\$ -</u>	<u>\$ 1,122,896</u>	<u>\$ (50,000)</u>	<u>\$ 1,072,896</u>

9. SPECIAL EVENTS - WALKABOUTS AND SIPS EVENTS

Special events revenue for the year ended June 30, 2020 and 2019 is presented in the accompanying financial statements as follows:

	2020	2019
Walkabouts and Sips events support and revenue	\$ 214,774	\$ 284,051
Walkabouts and Sips events direct costs	<u>(12,962)</u>	<u>(74,305)</u>
	<u>\$ 201,812</u>	<u>\$ 209,746</u>

Direct costs to special events of \$12,962 and \$74,305 include in-kind expenses and other services in the amount of \$0 and \$2,500 for the years ended June 30, 2020 and 2019, respectively.

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

10. 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, 2020 and 2019, the Foundation contributed 3% of the employees' annual salary in the amount of \$25,590 and \$21,687 respectively.

11. COMMITMENTS

Office Leases

The Foundation leases office space in Reston, Virginia which commenced on January 1, 2018. The lease provides for base monthly rental payments of \$8,949 with a cost of living increase of 2.50% occurring each year. Rent expense for the years ended June 30, 2020 and 2019 was \$88,918 and \$87,203 respectively.

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

2021	\$	114,234
2022		117,090
2023		120,017
2024		123,018
2025		115,456
	\$	<u>589,815</u>

Employment Commitment

The Foundation has an agreement for employment for the Chief Executive Officer in which it could be required to pay severance of \$217,500 in the event the agreement is terminated for any reason other than "for cause."

SJÖGREN'S SYNDROME FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (with Comparative Information as of and for the year ended June 30, 2019)

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 16, 2020, the date the financial statements were available to be issued.

Novel COVID-19 Coronavirus

On March 11, 2020, the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Foundation operations because the disease's severity and duration are uncertain, we expect 2021 financial results may be significantly impacted and the implications beyond 2021, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

SUPPLEMENTARY INFORMATION

SJÖGREN'S SYNDROME FOUNDATION

SCHEDULE OF INCOME AND EXPENSES BY DEPARTMENT
Year Ended June 30, 2020

	Operating	Strategic Governance	Newsletter	Conference	Product	Research	Industry and Membership	Fundraising	Government Relations	Awareness	Total
SUPPORT AND REVENUE											
Contributions	\$ -	\$ 24,236	\$ -	\$ -	\$ -	\$ 144,613	\$ 729,475	\$ 853,713	\$ -	\$ -	\$ 1,752,037
Bequests and planned giving	-	-	-	-	-	-	-	49,815	-	-	49,815
Membership dues	-	-	-	-	-	-	238,912	-	-	-	238,912
Special events, net of direct costs	-	-	-	-	-	-	-	201,812	-	-	201,812
Conferences	-	-	-	135,304	-	-	-	-	-	-	135,304
Newsletter	-	-	16,833	-	-	-	-	-	-	-	16,833
Product sales	-	-	-	-	21,634	-	-	-	-	-	21,634
Investment income	22,024	-	-	-	-	-	-	-	-	-	22,024
Other	1,798	-	-	-	-	-	-	12,562	-	-	14,360
Royalties	-	-	-	-	4,187	-	-	-	-	-	4,187
TOTAL SUPPORT AND REVENUE	23,822	24,236	16,833	135,304	25,821	144,613	968,387	1,117,902	-	-	2,456,918
EXPENSES											
Salaries	54,585	25,038	60,843	67,103	10,141	214,830	311,478	98,151	71,860	337,894	1,251,923
Payroll taxes	3,521	1,615	3,924	4,328	654	13,856	20,089	6,330	4,635	21,793	80,745
Employee benefits	8,047	3,468	8,426	9,293	1,404	29,750	43,135	13,592	9,952	46,793	173,860
Accounting	28,699	-	-	-	-	-	-	-	-	-	28,699
Audio visual	-	832	-	9,890	-	-	-	-	-	-	10,722
Awards	148	68	166	183	28	586	850	268	196	922	3,415
Awareness activities	-	-	-	-	-	-	-	587	-	69,231	69,818
Bank and credit card fees	-	-	446	3,581	572	-	6,324	22,595	-	-	33,518
Contracted services	-	-	12,900	2,580	-	2,580	12,576	1,100	-	4,970	36,706
Depreciation	1,471	675	1,640	1,808	273	5,789	8,394	2,645	1,936	9,105	33,736
Dues, subscriptions and registration fees	73	34	82	90	14	6,066	418	8,331	96	1,669	16,873
Equipment rental	710	326	792	873	132	2,796	4,053	1,277	935	5,519	17,413
Food and beverage	-	3,845	-	6,664	-	-	4,935	-	-	-	15,444
Insurance	352	162	392	433	65	1,386	2,009	633	464	2,179	8,075
Interest	120	-	-	-	-	-	-	-	-	-	120
Legal services donated	-	24,236	-	-	-	-	-	-	-	-	24,236
Maintenance and repairs	1,890	864	2,103	2,319	351	7,425	10,766	3,393	2,483	11,679	43,273
Miscellaneous	129	61	147	25,132	25	576	814	2,235	1,174	818	31,111
Philadelphia team	-	-	-	-	-	-	-	13,804	-	-	13,804
Payroll processing	319	146	355	391	59	1,253	1,816	572	419	1,970	7,300
Postage and delivery	1,577	724	34,215	1,939	293	6,209	9,001	14,858	2,077	9,765	80,658
Printing, duplicating and office supplies	845	387	41,091	6,174	157	3,326	4,822	35,902	1,114	5,585	99,403
Product costs	-	-	-	-	8,940	-	-	-	-	-	8,940
Rent	3,878	1,778	4,321	4,766	720	15,258	22,123	6,971	5,104	23,999	88,918
Research grants	-	-	-	-	-	204,345	-	-	-	-	204,345
Staff development	17	2,008	19	21	3	66	96	30	22	104	2,386
Telephone	1,148	526	1,278	1,409	213	4,512	6,542	2,062	1,509	7,097	26,296
Travel	-	6,006	-	5,903	-	-	24,947	-	407	7,601	44,864
TOTAL EXPENSES	107,529	72,799	173,140	154,880	24,044	520,609	495,188	235,336	104,383	568,693	2,456,601
CHANGE IN NET ASSETS	\$ (83,707)	\$ (48,563)	\$ (156,307)	\$ (19,576)	\$ 1,777	\$ (375,996)	\$ 473,199	\$ 882,566	\$ (104,383)	\$ (568,693)	\$ 317

See Independent Auditors' Report.