

**Audited Financial Statements**



**June 30, 2018**

**Quigley & Miron**

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## Independent Auditor's Report

Board of Directors

### **Spondylitis Association of America**

Los Angeles, California

We have audited the accompanying financial statements of Spondylitis Association of America (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

### **Auditor's 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 auditor's 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 Spondylitis Association of America as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Spondylitis Association of America  
Statement of Financial Position  
June 30, 2018

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 201,473
Investments—Note 2	3,176,245
Contributions receivable	65,971
Prepaid and other current assets	12,571

<b>Total Current Assets</b>	<b>3,456,260</b>
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**Noncurrent Assets**

Property and equipment, net—Note 4	97,575
Deposits	5,441

<b>Total Noncurrent Assets</b>	<b>103,016</b>
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<b>Total Assets</b>	<b>\$ 3,559,276</b>
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**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 16,452
Accrued vacation	38,361

<b>Total Liabilities</b>	<b>54,813</b>
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**Net Assets**

Unrestricted	
Undesignated	2,564,650
Board designated—Note 5	234,622

<b>Total Unrestricted Net Assets</b>	<b>2,799,272</b>
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Temporarily restricted—Note 6	705,191
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<b>Total Net Assets</b>	<b>3,504,463</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 3,559,276</b>
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See notes to financial statements.

Spondylitis Association of America  
Statement of Activities  
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Corporate and foundation contributions	\$ 1,683,321	\$ 412,460	\$ 2,095,781
Individual contributions	539,730		539,730
In-kind contributions	45,280		45,280
Program revenue	5,375		5,375
Interest and dividends	28,821	6,244	35,065
Realized and unrealized loss on investments	(8,267)		(8,267)
Net assets released from restriction	443,457	(443,457)	
<b>Total Revenues, Gains and Other Support</b>	<b>2,737,717</b>	<b>(24,753)</b>	<b>2,712,964</b>
<b>Functional Expenses</b>			
Program services			
Biomarker Research	144,316		144,316
Axial Spine Guidelines	46,500		46,500
Spondyloarthritis Research	104,710		104,710
Unmet Needs	118,837		118,837
Patient Life Impact	65,006		65,006
Awareness and Support Groups	252,529		252,529
Physicians Education ( MRI, Rheumatology)	160,566		160,566
Patient Conferences, Education and Support	597,108		597,108
<b>Total Program Services</b>	<b>1,489,572</b>		<b>1,489,572</b>
Support services			
Management and general	307,047		307,047
Fundraising	83,888		83,888
<b>Total Support Services</b>	<b>390,935</b>		<b>390,935</b>
<b>Total Functional Expenses</b>	<b>1,880,507</b>		<b>1,880,507</b>
<b>Change in Net Assets</b>	<b>857,210</b>	<b>(24,753)</b>	<b>832,457</b>
<b>Net Assets at Beginning of Year, as Previously Reported</b>	<b>2,027,283</b>	<b>644,723</b>	<b>2,672,006</b>
Prior period restatement—Note 9	(85,221)	85,221	
<b>Net Assets at Beginning of Year, as Restated</b>	<b>1,942,062</b>	<b>729,944</b>	<b>2,672,006</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,799,272</b>	<b>\$ 705,191</b>	<b>\$ 3,504,463</b>

See notes to financial statements.

Spondylitis Association of America  
Statement of Functional Expenses  
Year Ended June 30, 2018

Expenses	Biomaker Research	Axial Spine Guidelines	Spondylo-arthritis Research	Unmet Needs	Patient Life Impact	Awareness and Support Groups	Physicians Education (MRI Rheumatology)	Patient Conferences, Education, and Publications	Total Program	Support		Total	
										Management and General	Fundraising and Development		Total Support
Salaries	\$	\$	\$ 35,372	\$	\$ 50,100	\$ 147,534	\$ 73,767	\$ 285,661	\$ 592,434	\$ 93,161	\$ 52,074	\$ 145,235	\$ 737,669
Payroll taxes			2,830		4,008	11,803	5,901	24,710	49,252	7,453	4,166	11,619	60,871
Other employee benefits			1,680		2,468	7,215	3,415	13,685	28,463	4,064	2,201	6,265	34,728
<b>Total Personnel Expenses</b>			<b>39,882</b>		<b>56,576</b>	<b>166,552</b>	<b>83,083</b>	<b>324,056</b>	<b>670,149</b>	<b>104,678</b>	<b>58,441</b>	<b>163,119</b>	<b>833,268</b>
Medical research grants	124,816	46,500	40,000						211,316				211,316
Supplies, office, insurance, and administrative			784	195		3,906		32,307	37,192	36,627	3,784	40,411	77,603
Communication and website								61,561	61,561	2,600	1,950	4,550	66,111
Depreciation and amortization								25,835	25,835	3,200	1,600	4,800	30,635
Design and printing						21,493		37,570	59,063	5,820	2,578	8,398	67,461
Legal and accounting										67,263		67,263	67,263
Medical and scientific conferences			4,544	46,947		11,852	20,667	18,010	102,020		1,076	1,076	103,096
Postage				1,529		850		21,695	24,074	11,758	949	12,707	36,781
In-kind advertising										45,280		45,280	45,280
Professional services	19,500		19,500	46,025	8,430	12,273		20,813	126,541	7,050		7,050	133,591
Rent							15,000	40,585	55,585	21,000	5,000	26,000	81,585
State licensing								6,645	6,645				6,645
Travel				24,141		35,603	41,816	8,031	109,591	1,771	8,510	10,281	119,872
<b>Total Expenses</b>	<b>\$ 144,316</b>	<b>\$ 46,500</b>	<b>\$ 104,710</b>	<b>\$ 118,837</b>	<b>\$ 65,006</b>	<b>\$ 252,529</b>	<b>\$ 160,566</b>	<b>\$ 597,108</b>	<b>\$ 1,489,572</b>	<b>\$ 307,047</b>	<b>\$ 83,888</b>	<b>\$ 390,935</b>	<b>\$ 1,880,507</b>

See notes to financial statements.

**Spondylitis Association of America**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

**Cash Flows from Operations**

Change in net assets	\$ 832,457
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	30,635
Realized and unrealized loss on investments	8,267
Donated stock	(86,471)
Changes in operating assets and liabilities:	
Pledges receivable	63,529
Prepaid expenses	(4,363)
Accounts payable	(59,258)
Accrued vacation	5,720

<b>Cash Provided by Operating Activities</b>	<b>790,516</b>
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**Cash Flows from Investing Activities**

Proceeds from sales of investments	1,081,748
Purchase of investments	(2,050,000)
Purchase of property and equipment	(5,288)

<b>Cash Used in Investing Activities</b>	<b>(973,540)</b>
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<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(183,024)</b>
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<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>384,497</b>
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<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 201,473</b>
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**Supplementary Disclosures**

Income taxes paid	\$
Interest paid	\$

See notes to financial statements.

**Spondylitis Association of America**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Spondylitis Association of America (Organization) is a California tax-exempt nonprofit corporation dedicated to advancing education, research and treatment for ankylosing spondylitis and related diseases. As a patient advocacy organization, the Organization seeks to improve the lives of those affected through information, support and connection to the community.

Following is a summary of the Organization's research and program service accomplishments for the year ended June 30, 2018:

**Research**

Spondyloarthritis 2017: Unmet Needs Conference III—For two days in September 2017, the Organization brought together an international group of leading researchers to the National Institutes of Health (NIH) in Bethesda, Maryland, to identify pressing gaps, share insights, discuss scientific and treatment issues, and provide direction for the next decade of spondyloarthritis research. The Spondyloarthritis 2017: Unmet Needs Conference III, hosted by the Organization in collaboration with the National Institute of Arthritis, Musculoskeletal and Skin Diseases (NIAMS), generated interdisciplinary collaboration among researchers and clinicians, and opened new areas of investigation to expand the breadth and depth of spondyloarthritis research. The goal of this conference was to gather leading experts in their fields to not only discuss the progress made to date, but to also examine the road that lies ahead in terms of research and treatment of all the conditions associated with this disease.

Early Career Investigator Awards (ECI)—Two ECI Awards were presented in 2018 for a total of \$40,000 (\$20,000 each). They were awarded to the following institutions:

- Boston University and the Boston VA – Dr. Maureen Dubreuil, a rheumatologist and researcher at Boston University and the Boston VA focuses her research on complications of spondyloarthritis and side effects of treatment. In addition to her research, Dr. Dubreuil is working to educate the next generation of doctors on evaluating patients with back pain, and caring for those with spondyloarthritis.
- University of Colorado Health Sciences Center – Dr. Kristine Kuhn, who obtained her MD and PhD at the University of Colorado Health Sciences Center, developed her interest in rheumatology while working on her PhD in arthritis. After graduating medical school, Dr. Kuhn moved to St. Louis, Missouri to complete her residency in internal medicine and fellowship in rheumatology at Barnes-Jewish Hospital and Washington University. During this training, Dr. Kuhn observed many challenges that individuals face in the diagnosis and treatment of spondyloarthritis. She began focusing on this topic in her research and clinical activities, as part of her own research program, when she returned to Colorado in 2013 as a faculty member at the University of Colorado School of Medicine.

In addition to funding ECI, the Organization receives funding requests from outside sources to support research related to spondylitis. Because the Organization has limited resources for research funding, it is imperative that any research proposals make optimal use of the Organization's limited resources. In the spring of 2018, the Organization funded \$125,000 restricted to additional research study grants outside of the ECI awards. These additional research grants are detailed below:

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

- Funding research at the University of California, San Francisco (UCSF), University of Alabama, Birmingham (UAB); and Queensland University of Technology, Australia (QUT). Dr. Lianne Gensler, a rheumatologist at UCSF Medical Center and the Director of the Ankylosing Spondylitis Clinic, was selected along with Dr. Matthew Stoll (UAB) and Dr. Matthew Brown (QUT) and received approval for their Microbiome of Offspring in Ankylosing Spondylitis (MOSAS) research study. Multiple genetic and environmental factors result in the development of spondyloarthritis diseases, including ankylosing spondylitis (AS). This will be the first study of its kind to evaluate the pre-disease microbiota in patients with a higher likelihood of developing arthritis.
- Funding research at Oregon Health and Science University (OHSU) through Drs. Mark Asquith and James Rosenbaum. Their research focuses on the potential role for fungus or yeast in the pathogenesis of spondyloarthritis. Microbiota is the community of micro-organisms that inhabit the interior and exterior of the human body at various tissue sites. Drs. Asquith and Rosenbaum's research utilizes fungal microbiota to investigate a novel therapeutic strategy to reduce or prevent disease symptoms in AS patients.

The Organization continues to advance the belief that supporting research will lead to an eventual cure. In the short-term, insights gained from these studies should also empower and engage clinicians and others in the medical community with opportunities to critically evaluate information through, for example, patient interviews, physical exams, and laboratory tests, in order to formulate a diagnosis and devise new treatment options.

**Education and Awareness**

Patient Conferences, Seminars, and Support

The Organization sponsored patient education and support programs through the use of various media. The interactive website located at [spondylitis.org](http://spondylitis.org) serves more than 500,000 unique visitors per quarter based on google analytics reports.

Patient Education Seminars—Patient education seminars were held in San Francisco, New York, and San Diego with livestreaming available and webinars recorded for future use through the website.

Awareness and Support Groups—The Organization's support groups continue to be active across the United States, numbering more than 39 groups and 50 leaders with over 100 meetings held through June 2018. A two-day formal Support Group Leader training was held in Denver, Colorado in April 2018, with 32 support group leaders attending.

This AS Life Live (TASLL)—Dan Reynolds and Novartis Pharmaceuticals have partnered with the Organization to bring an interactive online talk show video series, This AS Life Live (TASLL), to life. The Organization provides guidance on the project, suggests interviewees, attends the video shoots, and ensures accuracy of SpA information recorded and shared. A total of six episodes were released during the year ended June 30, 2018 and a total of nine episodes have been released since the project launched at the beginning of 2016.

Life Impact Survey—A survey was conducted with patients to identify the proportion of patients with delayed diagnosis, reasons, and treatment.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Think Spondylitis Awareness Campaign—The Organization designed and provided custom-made Think Spondylitis postcards and invited the Organization’s membership and constituents to send these cards with personal messages to physicians, with the goal of raising awareness among medical professionals, in honor of Spondylitis Awareness Month and World AS Day.

White Board Animation Video Release: Have You Been Diagnosed with Spondylitis?—This video series is targeted to the newly diagnosed with the aim of introducing the Organization and resources it offers.

Spondylitis Plus—Members of the Spondylitis Association of America receive a copy of the Organization’s print publication Spondylitis Plus free of charge, on a quarterly basis. More than 5,000 copies are distributed quarterly.

eSun—More than 24,000 people are subscribed to and receive the Organization’s monthly spondylitis education and awareness e-newsletter.

Social Media—FaceBook and Twitter remain a source of education and awareness with the Organization’s constituents. The Organization’s Community Forums continue to be active not only for the newly-diagnosed but those living with this disease from a few years to almost a lifetime.

Physician Education—The Organization attended and exhibited at the November 2017 American College of Rheumatology Conference (ACR) in San Diego, California. In connection with this event, the Organization held its SpA Education Seminar and in-person Medical and Scientific Advisory Board meeting.

Primary Care Medical Conferences (PriMed)—In an effort to increase education and awareness, improve earlier diagnosis of the disease with primary care physicians, and, ultimately, referral to rheumatologists, the Organization made a strategic decision to increase its presence by exhibiting at five annual nationwide/regional conferences throughout the United States. In the spring of 2018, the Organization exhibited in Ft Lauderdale, Florida; Houston, Texas; and Anaheim, California. More than 1,000 leads for additional information from healthcare providers have been generated from the Organization’s attendance to date. Additional locations are scheduled in the fall of 2018. A second phase of this strategy for 2018-19 will be to continue exhibiting and seeking funding for unbranded presentations to be led by rheumatologists in the region of the conference.

Spondyloarthritis Research and Treatment Network (SPARTAN)—Each year, the Organization participates in the SPARTAN conference. In 2017, it was held in Boston, Massachusetts. One of the key areas on the agenda were breakout sessions devoted to discussions, follow-up, and next steps from the Organization’s Unmet Needs Conference.

European Congress of Rheumatology (EULAR)—In June 2017, the Organization attended EULAR, sharing exhibit space with the Ankylosing Spondylitis International Federation (ASIF). Three Spondylitis Association of America abstracts and one poster session (from the Organization’s Life Impact Survey) were presented at this conference.

ACR/SAA/SPARTAN Treatment Guidelines Update—ACR and the Organization are funding partners in this update, scheduled to be released in late 2018 or early 2019. The Organization has identified and recruited two patients to be included on the voting panel who will represent the patient voice and take part in the decision-making process. The Organization remains closely engaged and involved throughout the meeting process.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Financial Statement Presentation—The financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP). The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Organization's mission.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of the Organization's programs and operations unless otherwise stipulated by the donor. The Organization had no permanently restricted net assets at June 30, 2018.

Income Taxes—The Internal Revenue Service (IRS) has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and the Organization is exempt from California state income taxes from the Franchise Tax Board.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on deposit with banks as well as money market funds or short-term investments held at financial institutions, with original maturities of three months or less from the date of purchase.

Concentration of Credit Risk—Cash and cash equivalents, investments in securities, and receivables are the primary form of concentration of credit risk to which the Organization is subject. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, in the normal course of business, such cash balances are in excess of the FDIC/SIPC insurance limits, but management deems the risk of loss due to these concentrations to be minimal. Conservative investment guidelines established by the Board of Directors (Board) govern the Organization's investments in securities to achieve diversification of the portfolio.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Property and Equipment—Purchased property and equipment are recorded at cost, and donated assets are recorded at the estimated fair value on the date of receipt. The Organization depreciates its property and equipment using the straight-line-method over the following estimated useful lives:

Furniture and equipment	5-7 years
Website development costs	5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Revenue Recognition—The Organization's revenue recognition policies are as follows:

Contributions—Contributions are reported as support in the period received and as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities. Contributions whose restrictions are met in the same year as the contribution is made are initially classified as temporarily restricted net assets. Contributions not yet settled in cash are reported as contributions receivable on the statement of financial position. The Organization grants membership to donors who contribute at certain levels and frequencies. During the year ended June 30, 2018, approximately 3,400 individuals and organizations were contributing members to the Organization.

Investment gain (loss)—Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

Contributed Services—During the year ended June 30, 2018, the Organization received \$45,280 worth of in-kind advertising services from a donor consisting of digital, bus shelter, and traditional billboard advertisements.

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been directly charged to the program services and supporting services benefitted. Indirect costs are allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

**Note 2—Investments**

Investments consist of the following as of June 30, 2018:

Certificates of deposit	\$ 2,921,894
Equity mutual funds	254,351
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	<b>\$ 3,176,245</b>

Return on investments for the year ended June 30, 2018 is as follows:

Realized gain on investments	\$ 6,469
Unrealized loss on investments	(14,736)
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<b>Realized and Unrealized Loss</b>	<b>(8,267)</b>
Interest and dividends	35,065
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<b>Return on Investments, Net</b>	<b>\$ 26,798</b>

**Note 3—Fair Value**

In determining the fair value of assets and liabilities, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 3—Fair Value—Continued**

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. The Organization has no Level 3 assets or liabilities.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the year ended June 30, 2018.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2018 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 2,921,894	\$	\$ 2,921,894	\$
Equity mutual funds	254,351	254,351		
<b>Totals</b>	<b><u>\$ 3,176,245</u></b>	<b><u>\$ 254,351</u></b>	<b><u>\$ 2,921,894</u></b>	<b><u>\$</u></b>

**Note 4—Property and Equipment, Net**

Net property and equipment at June 30, 2018 is as follows:

Website development costs	\$ 125,370
Furniture and equipment	48,676
	<u>174,046</u>
Accumulated depreciation and amortization	<u>(76,471)</u>
<b>Net</b>	<b><u>\$ 97,575</u></b>

Total depreciation and amortization expense recorded for the year ended June 30, 2018 was \$30,635.

**Note 5—Board-Designated Net Assets**

Board-designated net assets are voluntary, board-approved segregations of unrestricted net assets for specific purposes, projects, or investments in infrastructure.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 6—Temporarily Restricted Net Assets**

The Organization’s temporarily restricted net assets as of June 30, 2018 consist of the following:

Research	\$	490,243
Patient education and seminars		59,702
Life impact of spondylitis study		50,036
Unmet Needs Conference		47,902
Early detection training		44,281
Patient registry		11,041
Webinars		1,986
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<b>Total</b>	<b>\$</b>	<b><u>705,191</u></b>

**Note 7—Employee Benefit Plan**

The Organization has a defined contribution retirement plan covering substantially all of its employees. The Board annually determines the amount to be contributed to the plan. The Organization made no contributions to the plan during the year ended June 30, 2018.

**Note 8—Commitments and Contingencies**

In May 2015, the Organization entered into a 62-month operating lease for its headquarter facility. The term of the lease runs through August 2020 and includes an option to renew at the end of its term. Rent expense related to the leased headquarter facility amounted to \$81,585 for the year ended June 30, 2018. The future minimum annual lease commitment is as follows:

<u>Year Ending June 30,</u>		
2019	\$	76,938
2020		79,246
2021		13,604
		<hr/>
<b>Total</b>	<b>\$</b>	<b><u>169,787</u></b>

**Note 9—Prior Period Restatement**

Prior to July 1, 2017, the Organization recorded certain temporarily restricted net assets as board designated net assets in error. To correct this error, beginning of year temporarily restricted net assets have been increased by \$85,221 and board-designated net assets have been decreased by the same amount.

**Spondylitis Association of America**  
**Notes to Financial Statements—Continued**

**Note 10—Recent Accounting Pronouncements**

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

**Note 11—Subsequent Events**

Management evaluated all activities of Spondylitis Association of America through September 22, 2018, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.