

Audited Financial Statements



June 30, 2019

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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, 2019, 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, 2019, 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.

Los Angeles, California
September 18, 2019



Spondylitis Association of America
Statement of Financial Position
June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 11,487	\$ 427,205	\$ 438,692
Investments—Note 3	2,758,043	105,931	2,863,974
Contributions receivable	1,500	130,243	131,743
Prepaid and other current assets	9,491		9,491
Total Current Assets	2,780,521	663,379	3,443,900
Noncurrent Assets			
Property and equipment, net—Note 5	77,228		77,228
Deposits	5,441		5,441
Total Noncurrent Assets	82,669		82,669
Total Assets	<u>\$ 2,863,190</u>	<u>\$ 663,379</u>	<u>\$ 3,526,569</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 20,156		\$ 20,156
Accrued vacation	49,555		49,555
Total Liabilities	69,711		69,711
Net Assets			
Without donor restrictions			
Undesignated	2,547,053		2,547,053
Board designated—Note 6	246,426		246,426
Total Unrestricted Net Assets	2,793,479		2,793,479
With donor restrictions—Note 6		663,379	663,379
Total Net Assets	2,793,479	663,379	3,456,858
Total Liabilities and Net Assets	<u>\$ 2,863,190</u>	<u>\$ 663,379</u>	<u>\$ 3,526,569</u>

See notes to financial statements.

Spondylitis Association of America
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenues, Gains and Other Support			
Corporate and foundation contributions	\$ 959,348	\$ 432,772	\$ 1,392,120
Individual contributions	544,055		544,055
In-kind contributions	5,490		5,490
Program revenue	8,517		8,517
Interest and dividends	60,505	7,571	68,076
Net assets released from restriction	482,155	(482,155)	
Total Revenues, Gains and Other Support	2,060,070	(41,812)	2,018,258
Functional Expenses			
Program services			
Spondyloarthritis Research	294,158		294,158
Patient Life Impact	74,644		74,644
Awareness and Support Groups	288,303		288,303
Physicians Education (MRI, Rheumatology)	285,701		285,701
Patient Conferences, Education and Support	774,984		774,984
Total Program Services	1,717,790		1,717,790
Support services			
Management and general	289,899		289,899
Fundraising	97,371		97,371
Total Support Services	387,270		387,270
Total Functional Expenses	2,105,060		2,105,060
Change in Net Assets From Operations	(44,990)	(41,812)	(86,802)
Nonoperating Activities			
Investment return, net	39,197		39,197
Total Nonoperating Activities	39,197		39,197
Change in Net Assets	(5,793)	(41,812)	(47,605)
Net Assets at Beginning of Year,	2,799,272	705,191	3,504,463
Net Assets at End of Year	\$ 2,793,479	\$ 663,379	\$ 3,456,858

See notes to financial statements.

Spondylitis Association of America
Statement of Functional Expenses
Year Ended June 30, 2019

	Spondylo- arthritis Research	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	
Expenses										
Salaries	\$ 75,630	\$ 3,500	\$ 118,000	\$ 143,500	\$ 415,648	\$ 756,278	\$ 114,851	\$ 68,618	\$ 183,469	\$ 939,747
Payroll taxes	5,375	315	9,700	12,050	29,416	56,856	8,423	4,914	13,337	70,193
Other employee benefits	7,230	415	12,350	14,650	37,679	72,324	10,715	6,250	16,965	89,289
Total Personnel Expenses	88,235	4,230	140,050	170,200	482,743	885,458	133,989	79,782	213,771	1,099,229
Communication and website			19,500		41,522	61,022	2,200	1,600	3,800	64,822
Depreciation and amortization					26,611	26,611	3,300	1,700	5,000	31,611
Design and printing			2,344	3,650	65,205	71,199	5,232	1,660	6,892	78,091
Legal and accounting							65,127		65,127	65,127
Medical research grants	159,994					159,994				159,994
Medical and scientific conferences	5,729			29,825	31,485	67,039		1,640	1,640	68,679
Postage			2,754		28,637	31,391	14,289	989	15,278	46,669
Professional services	39,000	70,414	90,205	4,820	4,625	209,064				209,064
Rent				15,000	43,241	58,241	21,800	5,200	27,000	85,241
State licensing					6,390	6,390				6,390
Supplies, office, insurance, and administrative	1,200		10,930		36,788	48,918	37,486	1,977	39,463	88,381
Travel			22,520	62,206	7,737	92,463	6,476	2,823	9,299	101,762
Total Expenses	\$ 294,158	\$ 74,644	\$ 288,303	\$ 285,701	\$ 774,984	\$ 1,717,790	\$ 289,899	\$ 97,371	\$ 387,270	\$ 2,105,060

See notes to financial statements.

Spondylitis Association of America
Statement of Cash Flows
Year Ended June 30, 2019

Cash Flows from Operations

Change in net assets	\$ (47,605)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	31,611
Realized and unrealized gain on investments	(39,197)
Donated stock	(43,956)
Changes in operating assets and liabilities:	
Pledges receivable	(65,772)
Prepaid expenses	3,080
Accounts payable	3,704
Accrued vacation	11,194

Cash used in Operating Activities (146,941)

Cash Flows from Investing Activities

Proceeds from sales of investments	910,424
Purchase of investments	(515,000)
Purchase of property and equipment	(11,264)

Cash Provided by Investing Activities 384,160

Net Increase in Cash and Cash Equivalents 237,219

Cash and Cash Equivalents at Beginning of Year 201,473

Cash and Cash Equivalents at End of Year \$ 438,692

Supplementary Disclosures

Income taxes paid	\$ <u><u> </u></u>
Interest paid	\$ <u><u> </u></u>

See notes to financial statements.

Spondylitis Association of America
Notes to Financial Statements
June 30, 2019

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 ending June 30, 2019:

Research

Early Career Investigator Awards (ECI)— One ECI Award was presented in FY18-19 for \$20,000. It was awarded to Columbia University Medical Center:

Dr. Runsheng Wang received the ECI Award. Dr. Wang is an Assistant Professor of Medicine at Columbia University Medical Center, a past Lawrence Shulman Scholar and also a Research fellow at NIH/NIAMS. Educated at Duke University School of Medicine and Peking Union Medical College. Since 2014, she has presented at multiple SPARTAN conferences with work in her interest of epidemiology, early diagnosis and comparative effectiveness research of axSpA. She has first author papers on axSpA in *Arthritis & Rheumatology*, *Annals of Rheumatic Diseases* and *The Journal of Rheumatology*. Taking an epidemiology approach, she has studied the natural history of axial spondyloarthritis, and showed that only a small proportion of patients with non-radiographic axial SpA will progress to ankylosing spondylitis. She also conducted meta-analysis of clinical trials to compare the effect of different TNF inhibitors, and compared effect of different NSAIDs. In the future, she will continue her research in the epidemiology and comparative effectiveness research, to better understand the effectiveness and safety of medications for axial SpA in the real world (rather than clinical trial setting) and for individual patients.

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. Two funding requests were approved. First, going to University of Texas Health Science Center at Houston, School of Medicine and the second, to Stanford University.

- **John D. Reveille, MD, University of Texas Health Science Center at Houston, School of Medicine** received funding for his bridge gap funding request, "Outcome Studies in Ankylosing Spondylitis". The purpose of this proposal is to ensure continued data management and statistical support of the projects coming from the Prospective Study Of Outcomes In Ankylosing Spondylitis (PSOAS) Cohort, which was initially funded by NIH Grants R01 AR048465 (2001-2006), and 1P01-052915 (2006-2011, 2012- 2017).

Spondylitis Association of America
Notes to Financial Statements—Continued

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

- **Mark Cullen, MD, along with Investigators Drs Weisman, Kuo and Kaplan, Foundation for the Advancement of Medicine** received funding for their grant request, “Workplace Environmental Influence as Risk for Developing Ankylosing Spondylitis: A Pilot Project.” They proposed a case control study to identify patients with AS diagnosed after a certain date and examine and characterize their major risk for high physical exposures and compare them to patients who do not have a diagnosis of AS (at the same dates as the AS diagnosis) for the same risk factors... Therefore, the main premise for this current study is it could possibly recapitulate the animal studies in a human situation where we might be able to demonstrate that heavy physical force would be a factor for bringing about the onset of AS in a susceptible population. For the study proposed herein they have access to a database that is rich and well-characterized in two aspects of epidemiology that would be essential to address the question of the role of physical force in the production of AS. They will investigate these questions using data from the Alcoa study. This unique longitudinal database is curated by the Center for Population Health at Stanford University.

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 serves more than 500,000 unique visitors per quarter based on Google Analytics reports.

Patient Education Seminars—Patient education seminars were held in Chicago and New York 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 43 groups, 65 leaders in 30 states with more than 200 meetings held through June 2019.

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 five episodes were released during the year ended June 30, 2019 and a total of 16 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

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 30,000 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.

During this fiscal year, the Organization held two Twitter Chats and two Facebook Live events.

Physician Education—The Organization attended and exhibited at seven physician and other health care provider conferences in this fiscal year. Conferences included:

- The Rheumatology Nurses Association's conference, held in August of 2018, in Fort Worth, TX
- The America College of Rheumatology Conference, held in October of 2018, in Chicago, IL
- The Spokane Pain Conference held in November of 2018, in Spokane, WA
- The Pri-Med Conference held in December of 2018, in Boston, MA
- The American Physical Therapy Association Conference, held in January of 2019, in Washington, DC.
- The Pri-Med West Conference, held in May of 2019, in Anaheim, CA.
- The Physician Assistants Conference, held in May of 2019, in Denver, CO.

More than 3,000 leads for additional information from healthcare providers have been generated from the Organization's attendance to date.

Spondyloarthritis Research and Treatment Network (SPARTAN)—Each year, the Organization participates in the SPARTAN conference. In May 2019, it was held in Madison, WI. The conference included CME training on spondyloarthritis, several presentations on the role and advancement of imaging in diagnosis and monitoring disease progression. Early career investigators presented original spondyloarthritis research. One of the key areas on the agenda were breakout sessions devoted to discussions on outreach to non-rheumatologist health care providers.

European Congress of Rheumatology (EULAR)—In June 2019, the Organization attended EULAR in Madrid, sharing exhibit space with the Ankylosing Spondylitis International Federation (ASIF). The Organization met with international stakeholders including researchers, patient organization representatives, and pharmaceutical companies that support the Organization.

ACR/SAA/SPARTAN Treatment Guidelines Update—ACR and the Organization are funding partners in this update, which was released online in August 2019. The Organization identified and recruited two patients to be included on the voting panel to represent the patient voice and take part in the decision-making process. The Organization remained closely engaged and involved throughout the meeting process, and is currently working on creating a patient friendly translation of the completed updated treatment guidelines.

Spondylitis Association of America
Notes to Financial Statements—Continued

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

Educational Material Updates—During this fiscal year the Organization revised, redesigned, and reprinted seven SpA educational brochures, including: Inflammatory vs. Mechanical back pain; Iritis; Role of Exercise in SpA; Juvenile SpA; Just Diagnosed; Overview of SpA; Axial SpA in Women; as well as our booklet, Guide to Living with Ankylosing Spondylitis.

Back in Action, Again: New Exercise Series planned, produced, and delivered to our community—The Organization produced a new exercise series, comprised of the following segments:

- Morning and Evening Stretch
- Cardio
- Strength
- Yoga

World Spondyloarthritis Summit – The Organization produced an online educational event with six different topics, being broadcast over the course of three days. The presenters, topic facilitators, and topics covered were:

- Dr. Uta Kiltz and Don Markham on "Complications, Related Conditions."
- Angelo Papachristos, PT, and Rose Bigham on "Physical Therapy and Exercise: Best Practices and not-so-best Practices"
- Dr. Robert Overbaugh and Rose Bigham on "Overview of Possible Causes and a Comprehensive Approach to Pain Management"
- Dr. Mark Fisher and Don Markham on "Diet & Nutrition for SpA"
- Dr. John D. Reveille and Rose Bigham on "Latest SpA Research: Updates from Around the World"
- Dr. Hillary Norton and Elizabeth Maines, Ph.D on "Medications: Navigating Medical Management of SpA"

University Pilot Program: Think SpA – Accelerating Diagnosis Among 18 – 23 Year Old's. —The Organization piloted a health care professional (HCP) outreach program on a college campus. In February of 2019 the Organization held an HCP educational program at the Health Services Department at Cal Poly Pomona University in California geared to helping student clinic staff better recognize signs and symptoms of SpA in undiagnosed students. A second stage of the program, taking place in the Spring of 2019, focused on reaching the student body themselves, and involved outreach through eye-catching ads and posts in their student print publication, online publication, as well as social media. The Organization created the content and paid for the placement of these ads and posts.

Financial Statement Presentation— In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly.

Spondylitis Association of America
Notes to Financial Statements—Continued

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

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's program services; interest and dividends earned on investments, etc. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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, 2019. 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.

Spondylitis Association of America
Notes to Financial Statements—Continued

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

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.

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 received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Spondylitis Association of America
Notes to Financial Statements—Continued

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

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Depreciation and rent are allocated on the basis of square footage. Salaries, payroll taxes, other employee benefits, supplies, office, insurance, and administrative, communication and website, design and printing, medical and scientific conferences, postage, and travel are allocated on the basis of estimates of time and effort. Legal and accounting expenses are charged directly to management and general. All other functional expenses are charged directly to programs.

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—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$550,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2019 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 11,487
Contributions receivable	1,500
Investments	2,511,617
	<hr/>
	\$ 2,524,604

Note 3—Investments

Investments consist of the following as of June 30, 2019:

Certificates of deposit	\$ 2,592,887
Equity mutual funds	271,087
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	\$ 2,863,974

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 3—Investments—Continued

Return on investments for the year ended June 30, 2019 is as follows:

Realized gain on investments	\$ 9,852
Unrealized gain on investments	29,345
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Investment Return, Net	39,197
Interest and dividends	68,076
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Total Return on Investments	\$ 107,273

Note 4—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. 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, 2019.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2019 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 2,592,887	\$	\$ 2,592,887	\$
Equity mutual funds	271,087	271,087		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 2,863,974	\$ 271,087	\$ 2,592,887	\$

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 5—Property and Equipment, Net

Net property and equipment at June 30, 2019 is as follows:

Website development costs	\$ 125,370
Furniture and equipment	59,940
	<u>185,310</u>
Accumulated depreciation and amortization	(108,082)
	<u><u>Net \$ 77,228</u></u>

Total depreciation and amortization expense recorded for the year ended June 30, 2019 was \$31,611.

Note 6—Net Assets

Net assets without donor restrictions for the year ended June 30, 2019 are as follows:

Undesignated	\$ 2,547,053
Board-designated operating reserve	246,426
	<u><u>\$ 2,793,479</u></u>

Board-designated net assets are voluntary, board-approved segregations of net assets without donor restrictions for specific purposes, projects, or investments in infrastructure.

Net assets with donor restrictions for the year ended June 30, 2019 are as follows:

Subject to expenditure for specified purpose:	
Research	\$ 483,883
Patient education and seminars	67,932
Global summit	30,143
EMT Certification	20,000
Life impact of spondylitis study	18,092
Brand refresh	15,000
Patient registry	11,041
SpA Treatment Guidelines	10,000
Unmet Needs Conference	5,302
Webinars	1,986
	<u>1,986</u>
Total	<u><u>\$ 663,379</u></u>

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 6—Net Assets—Continued

Net assets released from donor restrictions for the year ended June 30, 2019 are as follows:

Satisfaction of purpose restrictions	
Research	\$ 159,994
Patient education and seminars	71,770
Global summit	30,597
Exercise video	62,500
Life impact of spondylitis study	70,414
MRI	44,280
Unmet Needs Conference	42,600
	<hr/>
	\$ 482,155

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 contributed \$23,758 to the plan during the year ended June 30, 2019, reflecting 50% of employee contributions, up to 3% of total wages by employee.

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 \$85,241 for the year ended June 30, 2019. The future minimum annual lease commitment is as follows:

<u>Year Ending June 30,</u>	
2020	\$ 79,246
2021	13,604
	<hr/>
Total	\$ 92,850

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 9—Recent Accounting Pronouncements

Leases—In February 2016, the 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 nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Note 10—Subsequent Events

Management evaluated all activities of Spondylitis Association of America through September 18, 2019, 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.