

Audited Financial Statements



June 30, 2020

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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, 2020, 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.

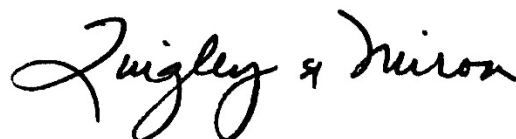
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2020, 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 26, 2020



Spondylitis Association of America
Statement of Financial Position
June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ (204,695)	\$ 841,589	\$ 636,894
Investments—Note 4	3,018,905	88,919	3,107,824
Contributions receivable	42,518	165,000	207,518
Prepaid and other current assets	9,821		9,821
Total Current Assets	2,866,549	1,095,508	3,962,057
Noncurrent Assets			
Property and equipment, net—Note 6	81,763		81,763
Deposits	5,441		5,441
Total Noncurrent Assets	87,204		87,204
Total Assets	\$ 2,953,753	\$ 1,095,508	\$ 4,049,261
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 113,023	\$	\$ 113,023
Accrued vacation	68,146		68,146
PPP advance—Note 7	205,900		205,900
Total Liabilities	387,069		387,069
Net Assets			
Without donor restrictions—Note 8			
Undesignated	2,303,256		2,303,256
Board-designated	263,428		263,428
Total Net Assets			
Without Donor Restrictions	2,566,684		2,566,684
With donor restrictions—Note 8		1,095,508	1,095,508
Total Net Assets	2,566,684	1,095,508	3,662,192
Total Liabilities and Net Assets	\$ 2,953,753	\$ 1,095,508	\$ 4,049,261

See notes to financial statements.

Spondylitis Association of America
Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenues, Gains, and Other Support			
Corporate and foundation contributions	\$ 684,039	\$ 887,497	\$ 1,571,536
Individual contributions	609,745		609,745
Program revenue	7,647		7,647
Interest and dividends	57,698	8,146	65,844
Net assets released from restriction	463,514	(463,514)	
Total Revenues, Gains, and Other Support	1,822,643	432,129	2,254,772
Expenses			
Program services			
Spondyloarthritis Research	228,639		228,639
Rheumat 2DX	212,849		212,849
Awareness and Support Groups	200,600		200,600
Physicians Education (COVID-19, Rheumatology)	301,025		301,025
Patient Conferences, Education and Publications	727,611		727,611
Total Program Services	1,670,724		1,670,724
Support services			
Management and general	274,015		274,015
Fundraising	103,271		103,271
Total Support Services	377,286		377,286
Total Expenses	2,048,010		2,048,010
Change in Net Assets From Operations	(225,367)	432,129	206,762
Nonoperating Activities			
Loss on disposal of property and equipment	(52,673)		(52,673)
Investment return, net	51,245		51,245
Total Nonoperating Activities	(1,428)		(1,428)
Change in Net Assets	(226,795)	432,129	205,334
Net Assets at Beginning of Year	2,793,479	663,379	3,456,858
Net Assets at End of Year	\$ 2,566,684	\$ 1,095,508	\$ 3,662,192

See notes to financial statements.

Spondylitis Association of America
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Support Services				Total
	Spondylo- arthritis Research	Rheumat 2DX	Awareness and Support Groups	Physicians Education (COVID-19, Rheumatology)	Patient Conferences, Education, and Publications	Total Program Services	Management and General	Fundraising and Development	Total Support Services	
Expenses										
Salaries	\$ 83,000	\$ 41,500	\$ 124,300	\$ 158,500	\$ 401,401	\$ 808,701	\$ 116,710	\$ 70,466	\$ 187,176	\$ 995,877
Payroll taxes	6,640	3,320	9,944	12,680	25,139	57,723	9,337	5,637	14,974	72,697
Other employee benefits	7,470	3,735	11,187	14,265	43,829	80,486	11,671	7,047	18,718	99,204
Total Personnel Expenses	97,110	48,555	145,431	185,445	470,369	946,910	137,718	83,150	220,868	1,167,778
Communication and website			5,551	2,135	15,477	23,163	696	506	1,202	24,365
Depreciation and amortization					15,775	15,775	2,600	1,250	3,850	19,625
Design and printing			9,559	14,218	48,890	72,667	4,597	2,220	6,817	79,484
Legal and accounting							65,430		65,430	65,430
Medical research grants	121,854					121,854				121,854
Medical and scientific conference	5,901			39,650	16,042	61,593		818	818	62,411
Postage			1,350	2,125	25,035	28,510	11,920	2,444	14,364	42,874
Professional services		164,294	21,175	14,851	25,910	226,230				226,230
Rent			2,300	15,200	43,618	61,118	17,462	8,731	26,193	87,311
State licensing					5,707	5,707				5,707
Supplies, office, insurance, and administrative	3,774		14,370		48,537	66,681	30,364	258	30,622	97,303
Travel			864	27,401	12,251	40,516	3,228	3,894	7,122	47,638
Total Expenses	\$ 228,639	\$ 212,849	\$ 200,600	\$ 301,025	\$ 727,611	\$ 1,670,724	\$ 274,015	\$ 103,271	\$ 377,286	\$ 2,048,010

See notes to financial statements.

Spondylitis Association of America
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operations

Change in net assets	\$ 205,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,625
Loss on disposal of property and equipment	52,673
Realized and unrealized gain on investments	(51,245)
Donated stock	(4,309)
Changes in operating assets and liabilities:	
Pledges receivable	(75,775)
Prepaid expenses	(330)
Accounts payable	92,867
Accrued vacation	18,591
	<u>257,431</u>
Net Cash Provided by Operating Activities	257,431

Cash Flows from Investing Activities

Proceeds from sales of investments	111,704
Purchase of investments	(300,000)
Purchase of property and equipment	(76,833)
	<u>(265,129)</u>
Net Cash Used in Investing Activities	(265,129)

Cash Flows from Financing Activities

Proceeds from PPP advance	205,900
	<u>205,900</u>
Net Cash Provided by Financing Activities	205,900

Net Increase in Cash and Cash Equivalents **198,202**

Cash and Cash Equivalents at Beginning of Year

438,692

Cash and Cash Equivalents at End of Year **\$ 636,894**

Supplementary Disclosures

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

See notes to financial statements.

Spondylitis Association of America
Notes to Financial Statements
June 30, 2020

Note 1—Organization

Organization—Spondylitis Association of America (Organization) is a California tax-exempt nonprofit corporation. The Organization’s mission is to be a leader in the quest to cure ankylosing spondylitis and related diseases, and to empower those affected to live their lives to the fullest. It is dedicated to advancing education, research and treatment for Spondyloarthritis. This includes advancing awareness for the public and for healthcare professional education in Spondyloarthritis. As a patient advocacy organization, it 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, 2020:

Research

Early Career Investigator Awards (ECI)—Two ECI awards were presented in FY19-20 for \$20,000 each totaling \$40,000. One was awarded to University of Massachusetts Medical School (UMMS) and the other to Yale University.

Dr. Shao-Hsien Liu is an Assistant Professor in the Division of Epidemiology, at the University of Massachusetts Medical School (UMMS). He is an early stage musculoskeletal epidemiologist with years of clinical practice as a physical therapist. Dr. Liu has extensive experience using nationally representative samples with complex, multistage designs and observational data with measurements of patient-reported outcomes and physical activity. Dr. Liu is a member of the Spondyloarthritis Research and Treatment Network (SPARTAN) and the American College of Rheumatology (ACR).

Dr. Abhijeet Danve is a rheumatologist and Assistant Professor of Clinical Medicine at Yale University, with particular interest in clinical and translational research focused on early diagnosis of Axial Spondyloarthritis (axSpA). He is the founding director of the Spondyloarthritis program at Yale. Dr. Danve has contributed original research articles, systematic reviews and review articles in the field of axSpA. His publications in respected journals cover various aspects of axSpA such as biomarkers, screening and referral, treat-to-target strategy, the role of complementary medicine and comorbidities. He is a member of the Spondyloarthritis Research and Treatment Network (SPARTAN), and has served on the Registry subcommittee of SPARTAN since 2017.

In addition to funding ECI awards the organization receives funding requests from outside sources to support research related to Spondyloarthritis. Because the organization has limited resources for research funding, it is imperative that any research proposals make optimal use of these limited resources. Two funding requests were approved. The first funding went to Children’s Hospital of Philadelphia. And the second to University of Colorado School of Medicine Anschutz Medical Campus.

- **Pamela Weiss, MD, MSCE, Director of Clinical Research and Attending, Division of Rheumatology, Children’s Hospital of Philadelphia Associate Professor of Pediatrics and Epidemiology, University of Pennsylvania Perelman School of Medicine** received funding for an *“Exercise for Development of Pediatric Axial Disease Classification Criteria”*, a companion project to an NIH RO1 grant with Dr. Weiss to fill the unmet need for a pediatric classification criteria. The SAA funding is to convene an in-person meeting of leading experts in juvenile Spondyloarthritis. Due to the novel coronavirus stay-at-home travel restrictions, the meeting in Ghent (Europe) was postponed. The new proposed meeting will be immediately prior to the Spring 2021 SPARTAN conference.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 1—Organization—Continued

- **Kristine Kuhn, MD, PhD, Boettcher Investigator, Assistant Professor of Medicine Division of Rheumatology University of Colorado Anschutz Medical Campus** received funding for *“Microbiome produced indole in the expansion of ILC3s in SpA.”* It is based on recent observations that subjects with AS, compared to healthy controls, have an increase in indole, the bacteria-produced metabolite of tryptophan, and an alteration in their microbiome that is consistent with the production of indole. Furthermore, observing an increased gut innate lymphocyte type-3 cells (ILC3s), consistent with that observed by other groups. We hypothesize that microbiome changes in AS result in the increased indoles, which then lead to ILC3 expansion. The work in this proposal will first evaluate how indoles signal in human ILC3s and then will evaluate how metabolism of tryptophan leads to ILC3 development and function in the murine gut. Such findings will allow Dr Kuhn to publish the findings of their observations in patients as well as lay the foundation for further investigation.

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 platforms and outlets. The interactive website located at spondylitis.org serves more than 500,000 unique visitors.

Patient Education Seminars—Patient education seminars were held in Atlanta and others moved to online in March 2020 when the COVID-19 global pandemic started. Facebook “Live” seminars were also conducted. These seminars are recorded and available for future use through SAA website.

Awareness and Support Groups—SAA’s support groups continue to be active across the US. There were 50 active groups, in 31 states, with 71 support group leaders. Online support groups made available during COVID-19 for all participants as needed. More than 220 meetings were held through June 2020. The number of groups has held steady during this reporting period as our community has acclimated to life during the pandemic.

Life Impact Survey—results from this survey continued to be delivered through this reporting period. Abstracts and posters were completed and presented at various conferences throughout the year. The survey was conducted with patients to identify proportion of patients with delayed diagnosis, reasons, and treatment. Results from the survey continued to be used throughout the year with analysis of specific areas to create webinars and other educational programming opportunities.

Spondylitis Plus—Members of the SAA receive a quarterly copy of the organization’s premiere print publication. Spondylitis Plus tackles issues such as pain, fatigue, and other complications, discusses the latest research and treatment information – often presented by prominent rheumatologists and researchers, features moving and unique personal stories from others with Spondyloarthritis, and much more. Over 5,000 copies are distributed quarterly.

eSUN—More than 43,000 people subscribe to and receive SAA’s monthly spondylitis education and awareness e-newsletter. It contains a variety of spondylitis-related content, such as news, research opportunities, stories from spondylitis patients, and more.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 1—Organization—Continued

2019 AxSpA Treatment Recommendation: A Brief Overview for Patients and Families—Working with a volunteer task force comprised of physicians and patients, who provided direction, format, and content to translate the physician-based treatment guidelines to a patient-friendly version. The completed document was first shared at ACR 2019 (American College of Rheumatology Conference) and then shared with the SpA patient community.

COVID19 Resource Hub and Research Survey—As quickly as the pandemic hit, SAA established a COVID19 Hub. After listening to questions and concerns from our community, SAA created content featuring expert advice specific to the SpA community. Facebook Live presentations along with Twitter and other digital platforms are being used for communication. Our goal continues to provide the most accurate and up-to-date information to help navigate these uncertain times and help patients manage their Spondyloarthritis.

In May 2020, SAA, in partnership with members of its Medical and Scientific Advisory Board (MSAB), spearheaded the creation of a global COVID19 – SpA Patient Registry. Addressing the most pressing questions of whether people are at greater or less risk for contracting the virus and severe outcomes Understanding the effects of Spondyloarthritis, and the medications used in treating it, on COVID-19 is crucial for patients, doctors, and researchers alike. Taking part in this longitudinal patient research survey along with a control group of participants will help answer critical questions for the benefit of everyone in the Spondyloarthritis community. SAA respects and protects our community’s privacy and does not sell personal data. In addition, as this was a global survey, SAA contracted the translation of this survey into at least 13 different languages.

Global Spondyloarthritis Summit 2020—SAA’s signature online educational program, the 2nd Annual Global Spondyloarthritis Summit, took place May 1-7. This year’s enhanced virtual environment provided a more interactive experience for attendees. The program featured 12 rheumatologists and medical professionals discussing key topics to those in the international spondylitis community. Several of this year’s experts participated in live chats with attendees. SAA also provided foreign language subtitles for the presentations. Subtitles were available in nine languages.

EMT Video Re-Accreditation Initiative—The Emergency First Responder educational video and a new course, offering one-hour of free continuing education credits for EMTs (and now also nurses) was finalized and rolled out in December 2019. This program is designed to provide the education and training to ensure that all emergency first responders, including emergency medical technicians, emergency room nurses, paramedics, and fire and police safety personnel have an opportunity, and incentive in the form of free CEU hours, to learn the proper and safe techniques for the care and handling of individuals with SpA. Promotion of this training program includes online, social media, grassroots – through our community, as well as direct mail promotion. As a bonus, we were able to secure free hosting of our course (providing increased visibility) on two additional organizations’ websites: FirstForward and Patient Safety Movement Foundation.

Primary Care, and Chiropractor Accredited Online Education: Focusing on Shortening the SpA Diagnostic Delay—SAA has begun the planning stages of this two-pronged program. Working closely with rheumatologists Dr. Sonam Kiwalkar, the physician lead on this project and SAA ECI awardee, Dr. Abhijeet Danve, to develop two accredited online educational modules geared to training non-rheumatologists in better recognizing undiagnosed SpA in their patients. One module will be geared to Primary Care Physicians (with accreditation being provided to MDs, NPs, and PAs). The second module will be geared to chiropractors (with accreditation for Doctors of Chiropractic). Outreach to additional Healthcare Practitioners (HCPs) has taken place, and two different advisory committees were formed. Each committee will include HCPs representing the population being targeted (the PCP content advisory committee will include PCPs, and the chiropractic content advisory committee will include chiropractors.) The projected timeline for completion in its entirety is October 2021.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Rheum 2 Dx—is the current effort to reduce the delayed diagnosis and improve the experience of people living with non-radiographic Axial Spondyloarthritis. This is an anticipated 3-year plan/phase project. The first phase is to understand the current situation. Working with a member of our Medical and Scientific Advisory Board (MSAB), Atul Deodhar and early career rheumatologist/researcher Sonam Kiwalkar, SAA is first conducting two types of studies. The primary outcomes of this phase will be to identify areas for pragmatic programs to take place in years two and three, and a publication to create awareness of the problem. Qualitative study interviews were completed in February 2020. Abstract submitted and accepted to the SPARTAN conference, May 2020. The second, quantitative study, is currently open with 155 completed surveys. An abstract will be submitted to ACR 2020.

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

Twitter Chat—On Thursday, September 26, 2019, SAA hosted its third Twitter chat of 2019. The chat featured two special guests: Pain Management Specialist, and new MSAB member, Robert Overbaugh, MD, and Dawn M. Gibson (@DawnMGibson), founder of Spoonie Chat. In honor of Pain Awareness Month, the chat focused on living with and managing chronic pain, talking with health care providers, treatments and lifestyle modifications, and personal advocacy.

SpA Patient Educational Webinar: Mind Body Approaches to Fatigue—On January 25th, SAA held our second webinar with certified yoga therapist, Nancy O'Brien, CIAYT, presenting on Fatigue. The webinar provided discussions on the causes of fatigue in chronic illness, and guided attendees in mindful breathing practices, supported movements, and a relaxing deep meditation. The live webinar was also recorded for archival and future viewing.

Spondyloarthritis (SpA) Awareness Month—Last year, SAA officially began celebrating SpA Awareness Month in May. We made the shift for several important reasons. First, World AS Day occurs on the first Saturday of each May except if the Saturday is May 1st. This change helped to strengthen the connections between the awareness day and the awareness month. Second, as a member of ASIF, our international partners focus their efforts on campaigns and initiatives around World AS Day and the month of May. By aligning our efforts with the rest of these international organizations, we have been able to provide a more collaborative and coordinated effort to raise awareness of the disease.

Website Migration Project—SAA’s new website officially launched March 2020. The new website has been designed to deliver a better user experience on multiple levels. This includes reorganizing the content to be more intuitive for users conducting searches for topics; providing related resources and recommendations directly on pages to help users engage with more content; tools to share articles and content from pages to a user’s social accounts; and an overall boost to our brand image with a more professional visual representation of our organization and offerings. Many within our community depend on the information on our website to help make better informed decisions about their health as well as stay connected to the latest updates on research, treatment options, and find support.

Advocacy—As an advocate for people living with Spondyloarthritis, the Organization strives to increase public awareness, improve access to health care, increase federal research funding to cure spondylitis, and influence public policies that impact the spondylitis community. With campaigns encouraging Medicare Part D to lower prescription costs and waiving restrictions for early prescription refills and copay for coronavirus testing to Step Therapy – Utilization Management Reform and granting access to all for the coronavirus vaccine, SAA has been active with these and several other advocacy initiatives throughout the year.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—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, and interest and dividends earned on investments. 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, 2020. 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 2—Summary of Significant Accounting Policies—Continued

Contributions receivable consist of balances from foundations and corporations. The Organization has determined that no allowance for potential losses due to uncollectible receivables was necessary at June 30, 2020.

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:

Investment activities—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.

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.

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.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet at least 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, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ (204,695)
Investments	2,755,477
Contributions receivable	42,518
Current Availability of Financial Assets	<u>\$ 2,593,300</u>

Note 4—Investments

Investments consist of the following as of June 30, 2020:

Certificates of deposit	\$ 2,833,300
Equity mutual funds	274,524
Total	<u>\$ 3,107,824</u>

Return on investments for the year ended June 30, 2020 is as follows:

Realized gain on investments	\$ 10,188
Unrealized gain on investments	41,057
Investment Return, Net	<u>51,245</u>
Interest and dividends	65,844
Total Return on Investments	<u>\$ 117,089</u>

Note 5—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.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 5—Fair Value—Continued

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, 2020.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2020 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 2,833,300	\$	\$ 2,833,300	\$
Equity mutual funds	274,524	274,524		
Totals	<u>\$ 3,107,824</u>	<u>\$ 274,524</u>	<u>\$ 2,833,300</u>	<u>\$</u>

Note 6—Property and Equipment, Net

Net property and equipment at June 30, 2020 is as follows:

Website development costs	\$ 73,974
Furniture and equipment	60,734
	<u>134,708</u>
Accumulated depreciation and amortization	<u>(52,945)</u>
Property and Equipment, Net	<u>\$ 81,763</u>

During the year ended June 30, 2020, the Organization invested in new technology totaling \$76,832 to transition to a cloud-based computing system. Total depreciation and amortization expense recorded for the year ended June 30, 2020 was \$19,625.

Note 7—PPP Advance

On April 30, 2020, the Organization received a \$205,900 Paycheck Protection Program (PPP) advance through the Small Business Administration (SBA) in response to the COVID-19 virus pandemic. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of PPP in the upcoming fiscal year.

Note 8—Net Assets

Net assets without donor restrictions for the year ended June 30, 2020 are as follows:

Undesignated	\$ 2,303,256
Board-designated operating reserve	<u>263,428</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,566,684</u>

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

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 8—Net Assets—Continued

Net assets with donor restrictions for the year ended June 30, 2020 are as follows:

Subject to purpose restrictions:	
Research	\$ 477,024
Rheum 2 DX	150,706
Patient education and seminars	105,094
Global summit	83,185
Spondy +	40,000
SpA Treatment Guidelines	21,430
Exercise video	20,000
Life impact of spondylitis study	18,092
Brand refresh	8,282
EMT Certification	6,695
	<hr/>
Total Subject to Purpose Restrictions	930,508
Subject to time restrictions:	
General operations	\$ 165,000
	<hr/>
Total Subject to Time Restrictions	165,000
	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 1,095,508</u>

Net assets released from donor restrictions for the year ended June 30, 2020 are as follows:

Satisfaction of purpose restrictions:	
Rheum 2 DX	\$ 164,294
Research	141,577
Patient education and seminars	62,838
Global summit	46,958
EMT Certification	13,305
Patient registry	11,041
SpA Treatment Guidelines	9,495
Brand refresh	6,718
Unmet Needs Conference	5,302
Webinars	1,986
	<hr/>
Total Net Assets Released from Donor Restrictions	<u>\$ 463,514</u>

Note 9—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 \$25,221 to the plan during the year ended June 30, 2020, reflecting 50% of employee contributions, up to 3% of total wages by employee.

Spondylitis Association of America
Notes to Financial Statements—Continued

Note 10—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 \$87,311 for the year ended June 30, 2020. The future minimum annual lease commitment is as follows:

<u>Year Ending June 30,</u>	
2021	\$ 13,604
Total	\$ <u>13,604</u>

In July 2020, the Organization signed a new lease agreement for its headquarter facility at a different location. The lease commenced September 1, 2020 and runs for a period of 36 months. The monthly base rent under this agreement is \$3,410 for the first 12 months, \$3,512 for the next 12 months, and \$3,618 for the final twelve months.

Note 11—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2021, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Note 12—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization is continuing to conduct its activities primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements

Note 13—Subsequent Events

Management evaluated all activities of the Organization through September 26, 2020, which is the date the financial statements were available to be issued, and concluded that, other than the new lease disclosed in Note 10, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.