



# American College of Rheumatology, Inc.

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## Financial Statements

Years Ended June 30, 2021 and 2020



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## Independent Auditors' Report

Board of Directors  
American College of Rheumatology, Inc.

We have audited the accompanying statements of financial position of American College of Rheumatology, Inc. (the "College") as of June 30, 2021 and 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 the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Atlanta, GA  
November 19, 2021

American College of Rheumatology, Inc.  
 Statements of Financial Position  
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 10,209,415	\$ 8,054,285
Investments	41,290,545	32,919,739
Accounts receivable	3,008,329	1,832,537
Deposits and other assets	547,808	617,730
Property and equipment, net	<u>6,708,970</u>	<u>7,034,924</u>
Total assets	<u>\$ 61,765,067</u>	<u>\$ 50,459,215</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Subscriptions payable	\$ 383,414	\$ 367,047
Accounts payable and accrued expenses	4,366,354	1,921,593
Contribution payable to Foundation	7,500,000	1,400,000
Other liabilities	56,007	50,814
Deferred revenue	<u>4,700,649</u>	<u>4,809,554</u>
Total liabilities	<u>17,006,424</u>	<u>8,549,008</u>
Net assets:		
Net assets without donor restrictions	<u>44,758,643</u>	<u>41,910,207</u>
Total liabilities and net assets	<u>\$ 61,765,067</u>	<u>\$ 50,459,215</u>

American College of Rheumatology, Inc.  
 Statements of Activities  
 Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 10,475,782	\$ 13,800,393
Royalties	5,460,242	5,622,604
Membership dues	1,741,461	1,795,279
Subscription Income	512,488	343,449
Sales	19,093	25,360
Gifts and grants	7,534,752	7,671,828
Investment and interest income	542,562	742,715
Net realized and unrealized gains on investments	7,943,211	700,836
Other	2,899,272	2,840,748
	<u>37,128,863</u>	<u>33,543,212</u>
Program services:		
Annual Meeting Education	3,137,841	6,931,857
Professional Education	1,644,458	2,339,747
Enterprise Solutions	631,647	-
Rheumatology Training	1,025,627	1,111,744
Professional Certifications	59,738	76,137
Association of Rheumatology Professionals (ARP)	807,293	690,945
Medical Journals	2,265,873	1,961,774
Communications	1,194,377	1,428,813
Practice (CORC)	614,409	780,231
Government Affairs	970,878	1,157,947
Research	230,084	171,821
Quality	1,218,853	1,482,782
Registry	1,813,772	1,626,099
Collaborative Projects	2,079,888	1,672,952
Contribution to Foundation	7,500,000	-
	<u>25,194,738</u>	<u>21,432,849</u>
Supporting services – management and general	<u>9,085,689</u>	<u>10,280,500</u>
	<u>34,280,427</u>	<u>31,713,349</u>
Change in net assets	2,848,436	1,829,863
Net assets at beginning of year	<u>41,910,207</u>	<u>40,080,344</u>
Net assets at end of year	<u>\$ 44,758,643</u>	<u>\$ 41,910,207</u>

American College of Rheumatology, Inc.  
Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services															Supporting Services	Total 2021	
	Annual Meeting Education	Professional Education	Enterprise Solutions	Rheumatology Training	Professional Certification	ARP	Medical Journals	Communi-cations	Practice (CORC)	Government Affairs	Research	Quality	Registry	Collaborative Projects	Foundation	Total		Management and General
Salaries and benefits	\$ 1,123,248	\$ 912,156	\$ 400,625	\$ 295,390	\$ 18,624	\$ 440,661	\$ 1,404,772	\$ 561,034	\$ 480,023	\$ 603,476	\$ 100,682	\$ 713,732	\$ 505,438	\$ 659,312	\$ -	\$ 8,219,173	\$ 6,192,377	\$ 14,411,550
Professional fees	1,112,334	265,998	173,063	589,833	20,516	317,815	681,055	480,336	42,602	139,259	110,700	338,524	1,077,004	1,344,127	-	6,693,166	1,795,618	8,488,784
Conferences, conventions, and meetings	197,811	152,785	-	87,118	-	-	-	200	25,800	6,000	-	-	-	3,150	-	472,864	15,482	488,346
Travel	68,729	(5,375)	-	(566)	-	(11,373)	-	-	(8,968)	443	-	(8,677)	-	-	-	34,213	(7,934)	26,279
Postage, printing and publications	3,012	84,367	-	350	-	444	34	4,442	5,171	9,596	-	-	-	4,865	-	112,281	53,510	165,791
Occupancy	17,653	16,329	7,208	5,173	343	7,282	24,567	9,244	8,606	61,237	1,790	12,848	9,096	7,256	-	188,632	106,947	295,579
Supplies	231,511	2,492	495	1,352	20	1,204	3,058	758	1,205	4,448	8,596	940	663	1,975	-	258,717	43,520	302,237
Equipment maintenance and rental	2,023	1,872	826	585	39	835	2,824	1,059	986	1,242	205	1,473	1,043	832	-	15,844	12,259	28,103
Telephone, technology and internet	45,738	103,019	31,766	25,330	715	18,997	56,034	22,347	37,108	29,942	3,729	40,529	187,900	34,250	-	637,404	262,917	900,321
Depreciation	51,710	70,738	14,753	10,588	703	14,904	50,282	97,313	17,614	22,180	3,663	51,231	28,123	14,852	-	448,654	218,891	667,545
Training and educational materials	17,505	17,126	16	3,887	-	849	1,503	13,922	754	83,800	-	63,093	555	5,727	-	208,737	60,208	268,945
Insurance	47,857	6,559	2,895	2,078	18,778	2,925	9,867	3,713	3,457	4,353	719	5,160	3,654	2,915	-	114,930	45,554	160,484
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	211	211
Contribution to Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,500,000	7,500,000	-	7,500,000
Other	218,710	16,392	-	4,509	-	12,750	31,877	9	51	4,902	-	-	296	627	-	290,123	286,129	576,252
	<u>\$ 3,137,841</u>	<u>\$ 1,644,458</u>	<u>\$ 631,647</u>	<u>\$ 1,025,627</u>	<u>\$ 59,738</u>	<u>\$ 807,293</u>	<u>\$ 2,265,873</u>	<u>\$ 1,194,377</u>	<u>\$ 614,409</u>	<u>\$ 970,878</u>	<u>\$ 230,084</u>	<u>\$ 1,218,853</u>	<u>\$ 1,813,772</u>	<u>\$ 2,079,888</u>	<u>\$ 7,500,000</u>	<u>\$ 25,194,738</u>	<u>\$ 9,085,689</u>	<u>\$ 34,280,427</u>

See accompanying notes.

American College of Rheumatology, Inc.  
Statement of Functional Expenses  
Year Ended June 30, 2020

	Program Services												Supporting	Total 2020		
	Annual Meeting Education	Professional Education	Rheumatology Training	Professional Certification	ARP	Medical Journals	Communi- cations	Practice (CORC)	Government Affairs	Research	Quality	Registry	Collaborative Projects		Total	Management and General
Salaries and benefits	\$ 989,604	\$ 843,579	\$ 238,878	\$ 33,161	\$ 344,285	\$ 1,050,879	\$ 535,314	\$ 489,463	\$ 527,524	\$ 80,657	\$ 700,422	\$ 416,154	\$ 631,836	\$ 6,881,756	\$ 6,423,781	\$ 13,305,537
Professional fees	2,482,434	855,144	396,382	22,684	156,525	669,906	603,307	57,086	178,625	19,738	494,049	847,082	924,049	7,707,011	1,507,584	9,214,595
Conferences, conventions, and meetings	2,535,903	201,973	189,083	948	58,716	12,939	16,226	22,661	88,813	42,184	39,490	7,591	2,727	3,219,254	486,034	3,705,288
Travel	235,622	88,297	236,328	1,416	60,201	27,979	9,903	105,052	150,900	14,934	71,172	8,832	16,889	1,027,525	369,597	1,397,122
Postage, printing and publications	65,466	4,849	932	-	1,602	663	4,100	236	10,821	45	1,464	1,076	10,726	101,980	49,423	151,403
Occupancy	20,260	20,446	5,668	805	7,744	25,436	12,423	11,245	41,017	1,889	16,852	10,068	12,516	186,369	151,737	338,106
Supplies	135,650	4,965	776	99	3,830	4,449	2,162	3,779	6,452	293	2,294	2,004	3,278	170,031	39,210	209,241
Equipment maintenance and rental	24,203	7,777	1,213	172	1,656	5,360	2,657	2,405	2,716	404	3,604	2,153	2,677	56,997	33,563	90,560
Telephone, technology and internet	60,395	210,656	23,120	2,082	25,751	69,449	34,273	44,846	40,255	5,360	56,652	289,104	38,422	900,365	495,325	1,395,690
Depreciation	48,941	62,666	9,681	1,375	15,284	43,429	178,000	19,202	21,688	3,227	41,244	33,755	21,371	499,863	259,093	758,956
Training and educational materials	5,943	8,882	4,789	-	820	2,247	26,010	19,705	81,568	-	49,860	4,827	4,004	208,655	211,722	420,377
Insurance	46,325	6,444	1,787	13,395	2,441	8,016	3,915	3,544	4,003	596	5,312	3,173	3,945	102,896	49,139	152,035
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(253)	(253)
Other	281,111	24,069	3,107	-	12,090	41,022	523	1,007	3,565	2,494	367	280	512	370,147	204,545	574,692
	<u>\$ 6,931,857</u>	<u>\$ 2,339,747</u>	<u>\$ 1,111,744</u>	<u>\$ 76,137</u>	<u>\$ 690,945</u>	<u>\$ 1,961,774</u>	<u>\$ 1,428,813</u>	<u>\$ 780,231</u>	<u>\$ 1,157,947</u>	<u>\$ 171,821</u>	<u>\$ 1,482,782</u>	<u>\$ 1,626,099</u>	<u>\$ 1,672,952</u>	<u>\$ 21,432,849</u>	<u>\$ 10,280,500</u>	<u>\$ 31,713,349</u>

See accompanying notes.



American College of Rheumatology, Inc.  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,848,436	\$ 1,829,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	667,545	758,956
Net realized and unrealized gains on investments	(7,943,211)	(700,836)
Change in assets and liabilities:		
Accounts receivable	(1,175,792)	996,347
Deposits and other assets	69,922	(127,594)
Subscriptions payable	16,367	(23,404)
Accounts payable and accrued expenses	2,444,761	(169,568)
Contribution payable to Foundation	6,100,000	-
Other liabilities	5,193	(19,919)
Deferred revenue	(108,905)	(1,051,230)
Net cash provided by operating activities	<u>2,924,316</u>	1,492,615
Cash flows from investing activities:		
Purchases of property and equipment	(341,591)	(535,899)
Purchases of investments	(22,282,838)	(20,082,420)
Proceeds from sale of investments	<u>21,855,243</u>	<u>19,445,811</u>
Net cash used in investing activities	<u>(769,186)</u>	<u>(1,172,508)</u>
Net change in cash and cash equivalents	2,155,130	320,107
Cash and cash equivalents at beginning of the year	<u>8,054,285</u>	<u>7,734,178</u>
Cash and cash equivalents at end of the year	<u>\$ 10,209,415</u>	<u>\$ 8,054,285</u>

## Notes to Financial Statements

### 1. Description of Organization

The American College of Rheumatology, Inc. (the “College”) is an organization of and for physicians, health professionals, and scientists. The College advances rheumatology through programs of education, research, advocacy and practice support that foster excellence in the care of people with arthritic, rheumatic and musculoskeletal diseases.

### 2. Summary of Significant Accounting Policies

#### ***Basis of accounting***

The financial statements of the College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis of presentation***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The College’s net assets are not subject to donor-imposed stipulations and have been classified as net assets without donor restrictions in the accompanying financial statements. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue. The Board of Directors of the College has internally designated funds for possible future operating contingencies that may require funding, long-term investment, and ongoing replacement of fixed assets.

#### ***Revenue recognition***

Revenues from nonexchange contracts with resource providers are accounted for in accordance with the guidance for contributions and promises to give under Accounting Standards Codification (“ASC”) Topic 958, while revenues from exchange contracts with customers are accounted for in accordance with ASC Topic 606. The determination of whether a contract is exchange or nonexchange requires management to exercise judgment and evaluate subjective criteria about whether there is a reciprocal exchange of commensurate value that flows to the direct benefit of the parties to the contract. Although the accounting guidance differs for exchange and nonexchange contracts, in practice, the timing and amount of revenue recognition for the College’s contracts generally would not differ significantly under either Topic.

Under Topic 958, nonexchange transactions may be conditional or unconditional. If there is both 1) a barrier and 2) a right of return or release of the resource provider’s obligation to transfer assets, then the contribution is conditional. If both criteria are not present, then the contribution is unconditional and is recognized upon satisfaction of any conditions. A contribution also may include a purpose or use restriction on the funding or may be intended for use in a future year and thus have an explicit or implicit time restriction. Once a contribution becomes unconditional, an entity shall consider whether there is a purpose or time restriction prior to recognizing the funds as unrestricted revenue.

Revenue from member dues is recognized ratably over the duration of the membership term. Exhibit fees and registrations are recognized when the event occurs. Grant income is recognized according to the terms of the grant.

The College's nonexchange contracts with federal and state resource providers are generally conditional, in that there are specific performance-related barriers and a right of release of the resource provider's obligation if the College does not overcome a barrier. Generally, barriers are related to the performance of allowable activities and incurrence of allowable costs under the contracts; thus, conditions are satisfied as allowable costs under a contract are incurred.

### ***Cash and cash equivalents***

Cash equivalents include money market funds and other highly liquid investments with original maturities of three months or less when purchased. The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced losses in such accounts.

### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. These securities consist primarily of investments in equity securities, equity funds, bond mutual funds, mortgage-backed securities, corporate bonds, and U.S. treasury notes. Investment income is recognized when earned.

### ***Property and equipment***

Property and equipment is carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years for equipment and 40 years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

### ***Deferred revenue***

Deferred revenue consists primarily of member dues, exhibit fees, registrations, and grant income. The funds are recognized as revenue when earned.

### ***Functional expenses***

Expenses which relate to more than one functional purpose are allocated among functions based on procedures that determine the portion of the cost related to each function.

### ***Use of estimates***

Management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

### ***Fair value measurements***

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The College utilizes market data or assumptions that market participants would use in pricing the asset or liability. Accounting literature establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 - defined as observable inputs such as quoted prices in active markets;

Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable;  
and

Level 3 - defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

### ***Subsequent events***

The College evaluated the effect subsequent events would have on the financial statements from July 1, 2021 through November 19, 2021, which is the date the financial statements were available to be issued.

### **3. Income Taxes**

The College is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(6) whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax. During 2021 and 2020, the College recorded a tax expense of \$211 and a tax credit of \$253 from unrelated business income, respectively. The College has paid the related taxes for the unrelated business income activity, and there are no significant deferred tax assets or liabilities as of June 30, 2021 or 2020.

The College has evaluated its tax positions and determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2021 and 2020, respectively.

#### 4. Investments

The cost and fair value of investments at June 30 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 2,164,947	\$ 2,159,216	\$ 1,711,014	\$ 1,711,014
Equity securities	7,439,818	13,122,342	7,858,865	10,279,564
Equity funds	9,380,907	14,116,378	9,063,931	10,115,961
Bond mutual funds	5,661,780	5,689,378	3,571,840	3,607,128
Mortgage-backed securities	2,305,446	2,266,357	2,675,526	2,777,311
Corporate bonds	2,876,661	2,990,238	3,705,913	3,949,303
U.S. Treasury notes	987,576	946,636	443,197	479,458
Total	<u>\$ 30,817,135</u>	<u>\$ 41,290,545</u>	<u>\$ 29,030,286</u>	<u>\$ 32,919,739</u>

Prices for certain investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1. These include cash equivalents, mutual funds, equity securities, U.S. treasury notes, and corporate bonds.

The Level 2 investment securities include asset-backed securities for which quoted prices are not available in active markets for identical instruments. The College utilizes a third-party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. The College did not hold any Level 3 securities as of June 30, 2021 and 2020.

The College's alternative investment funds are included in the equity funds line in table above and are measured at net asset value as a practical expedient for fair value and are accordingly excluded from the fair value hierarchy. These funds include ownership interests in a limited partnership that is a fund of funds. The recorded market price for the fund of fund investment is based on the net asset value of the College's investment in the limited partnership. Underlying assets of these investment funds include venture capital, international and domestic private equity investments, absolute return (hedge) funds, and real estate. The fair value of funds held by the limited partnership is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions.

American College of Rheumatology, Inc.  
Notes to Financial Statements

	<u>Fair Value at 6/30/2021</u>	<u>Fair Value at 6/30/2020</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iii)</u>
Mill Creek International Absolute Return Fund (i)	\$ 1,649,036	\$ 1,483,967	None	Initial 2 year lock-up period; period has lapsed	90 days' notice prior to last day of each 4 quarter period
Mill Creek Private Equity Fund IV (ii)	\$ 749,534	\$ 521,828	141,308	(iii)	(iii)
Mill Creek Private Equity Fund V (ii)	\$ 445,483	\$ 108,580	601,220	(iii)	(iii)

- (i) The Mill Creek International Absolute Return Fund consists of 14 underlying funds. The fund's investment objectives are to generate returns with a premium to investment grade fixed income returns with limited correlation to traditional asset classes over a complete market cycle through investments in hedge funds and, to a more limited extent, closed-end funds and mutual funds. The fund maintains portfolio diversification by limiting allocation of the fund's net asset value to (1) 30% of any one investment strategy, (2) 20% to any one underlying fund, and (3) 25% to funds that primarily invest in private investments or investments where the manager of the underlying fund does not expect to receive regular third-party pricing for a substantial portion of the respective portfolio.
- (ii) The Mill Creek Capital Advisors' Private Equity Fund is designed to provide a diversified portfolio for investing in venture capital, buyout, real estate, and other non-publicly traded equity and debt securities and strategies. The portfolio seeks to produce a strongly positive long-term total return with a low correlation of returns to those produced by other segments of global capital markets. The fund will invest in private partnerships that are expected to be long-lived (approximately ten years) and for which there is expected to be little to no interim liquidity.
- (iii) If the aggregate amount requested by investors to be redeemed on any redemption date is greater than 50% of the net asset value of the total fund, the Fund Board may reduce the amount of shares to be redeemed pro rata among investors so that the aggregate amount to be withdrawn equals 50% of the net asset value of the fund.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the fair value of the assets and their placement within the fair value hierarchy levels.

The following table sets forth by level, within the fair value hierarchy, the College's financial instruments accounted for at fair value on a recurring basis as of June 30, 2021 and 2020.

American College of Rheumatology, Inc.  
Notes to Financial Statements

	Fair Value at June 30, 2021	Asset at Fair Value as of June 30, 2021		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents in money market accounts	\$ 2,159,216	\$ 2,159,216	\$ -	\$ -
Equity securities:				
Domestic common stock	10,844,735	10,844,735	-	-
Foreign common stock	2,277,607	2,277,607	-	-
Equity and bond mutual funds:				
Large-cap equity funds	518,619	518,619	-	-
International equity fund	5,620,441	5,620,441	-	-
Domestic equity index fund	5,133,265	5,133,265	-	-
Fixed income fund	5,689,378	5,689,378	-	-
Mortgage-backed securities	2,266,357	-	2,266,357	-
Corporate bonds	2,990,238	2,990,238	-	-
U.S Treasury notes	946,636	946,636	-	-
Total assets in the fair value hierarchy	38,446,492	\$ 36,180,134	\$ 2,266,357	\$ -
Investments at NAV (a)	2,844,053			
Total investments at fair value	\$ 41,290,545			

(a) Certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

American College of Rheumatology, Inc.  
Notes to Financial Statements

	Fair Value at June 30, 2020	Asset at Fair Value as of June 30, 2020		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents in money market accounts	\$ 1,711,014	\$ 1,711,014	\$ -	\$ -
Equity securities:				
Domestic common stock	8,550,345	8,550,345	-	-
Foreign common stock	1,729,219	1,729,219	-	-
Equity and bond mutual funds:				
Large-cap equity funds	362,205	362,205	-	-
International equity fund	4,386,600	4,386,600	-	-
Domestic equity index fund	3,252,781	3,252,781	-	-
Fixed income fund	3,607,128	3,607,128	-	-
Mortgage-backed securities	2,777,311	-	2,777,311	-
Corporate bonds	3,949,303	3,949,303	-	-
U.S Treasury notes	<u>479,458</u>	<u>479,458</u>	-	-
Total assets in the fair value hierarchy	30,805,364	<u>\$ 28,028,053</u>	<u>\$ 2,777,311</u>	<u>\$ -</u>
Investments at NAV (a)	<u>2,114,375</u>			
Total investments at fair value	<u>\$ 32,919,739</u>			

Certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

## 5. Accounts Receivable

Accounts receivable include grants and unconditional promises to give that are due to the College. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional revenue in accordance with donor-imposed restrictions on the contributions, if any.

At June 30, 2021 and 2020, all accounts receivable amounts were expected to be collected within one year. As such, there was no unamortized discount associated with accounts receivable.



## 6. Property and Equipment

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 972,195	\$ 972,195
Buildings	6,056,028	6,053,293
Furniture and equipment	278,654	246,657
IT Infrastructure	853,020	853,020
Software in use	<u>2,867,120</u>	<u>2,735,831</u>
	<u>11,027,017</u>	10,860,996
Less accumulated depreciation and amortization	<u>5,061,332</u>	<u>4,393,784</u>
Net depreciable property and equipment	5,965,685	6,467,212
Software in development	<u>743,285</u>	<u>567,712</u>
Property and equipment, net	<u>\$ 6,708,970</u>	<u>\$ 7,034,924</u>

## 7. Line of Credit

The College has an open-end revolving line of credit with a maximum loan amount of \$3,000,000 plus interest at the greater of the 30-day LIBOR rate or the Index Floor plus 1.5%. No amounts were drawn on the line in 2021 or 2020.

## 8. Employee Benefit Plans

The College has a defined contribution retirement plan, covering substantially all of its employees. Under the plan, participants receive employer discretionary contributions based on compensation and eligibility. In general, all employees (other than leased employees and independent contractors) of the College are eligible to participate in the plan. Plan entry dates were January 1st, May 1st and September 1st thru August 30, 2020. Effective September 1, 2020, the conditions of eligibility to participate in the plan changed. Now employees are required to meet 90 days of service before being eligible to enter the plan. Once the 90 days of service have been completed, the employee automatically becomes a participant of the plan on the first day of the month coinciding with or following meeting the eligibility requirements. Salary deferral changes could only be made on January 1st, May 1st and September 1st thru August 30, 2020. Effective September 1, 2020, participants are allowed to make salary deferral changes to their account at any point and time. Retirement expense totaled \$843,027 and \$795,521 in 2021 and 2020, respectively. Retirement expense is included as salaries and benefits expense on the statement of functional expenses.

## 9. Related Party Transactions

The College provides management and administrative services to the Rheumatology Research Foundation (the "Foundation"). Management fees charged by the College to the Foundation totaled \$2,872,398 and \$2,789,375 in 2021 and 2020, respectively, which are recorded in other revenue.

Included in accounts receivable at June 30, 2021 and 2020 is \$625,994 and \$622,499, respectively, due from the Foundation.

The College renewed a \$7,500,000 unrestricted contribution to the Foundation in support of the *Leading Boldly: Transforming Rheumatology* campaign that was previously made in December 2016. Included in the contribution payable to Foundation at June 30, 2021 and 2020 is \$7,500,000 and \$1,400,000, respectively, for the balance due on the contribution.

## 10. Subscriptions Payable and Royalty Income

The College has an agreement with John Wiley & Sons, Inc. (the "Publisher") whereby the Publisher produces the *A&R Journal* publication and the *AC&R* publication, and the College collects the subscription payments on behalf of the Publisher. Of the subscription payments collected by the College, \$383,414 and \$367,047 are due to the Publisher as of June 30, 2021 and 2020, respectively. These amounts are reflected as a liability in the accompanying statements of financial position. The College also receives royalties from the Publisher. Royalty income related to these publications totaled \$3,553,962 and \$3,525,000 in 2021 and 2020, respectively.

## 11. Political Action Committee

In March 2007, the College formed RheumPAC, a political action committee defined under Section 527 of the Internal Revenue Code. RheumPAC is registered with the Federal Election Commission and advocates exclusively on behalf of rheumatologists, rheumatology related health professionals, and rheumatic diseases. RheumPAC supports candidates that advance those needs and engages physicians and health professionals in political action. All contributions made to RheumPAC will be used to support congressional candidates. Administrative costs are paid for by the College.

## 12. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limited their use, within one year of the balance sheet date are reflected in the balance sheets as assets and include the following balances at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 10,209,415	\$ 8,054,285
Accounts receivable	<u>3,008,329</u>	<u>1,832,537</u>
Total	<u>\$ 13,217,744</u>	<u>\$ 9,886,822</u>

### **13. Paycheck Protection Program**

During 2021, ACR received loan proceeds totaling \$2,303,567 and executed a promissory note with the lender under the Small Business Administration's Paycheck Protection Program. The PPP provides qualifying businesses with funds to pay payroll costs including benefits, interest on mortgages, rent and utilities. The loan is scheduled to be repaid within two years of receipt and accrue interest at the rate of 1% per annum. An additional feature of this program is that some portion or all of the amount borrowed under the PPP may effectively be converted to a grant through a special loan forgiveness provision if certain criteria are met. ACR plans to apply for loan forgiveness in fiscal year 2022.