

# **American College of Rheumatology, Inc.**

## **Financial Statements**

**Years Ended June 30, 2022 and 2021**

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## Independent Auditor's Report

The Board of Directors  
American College of Rheumatology, Inc.  
Atlanta, GA

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of American College of Rheumatology, Inc. (the "College"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year from the date of this report.

# FORVIS

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**FORVIS,LLP**

**Atlanta, GA  
November 28, 2022**

**American College of Rheumatology, Inc.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 7,826,187	\$ 10,209,415
Investments	35,854,223	41,290,545
Accounts receivable	3,803,734	3,008,329
Deposits and other assets	752,338	547,808
Property and equipment, net	<u>6,839,804</u>	<u>6,708,970</u>
 Total assets	 <u>\$ 55,076,286</u>	 <u>\$ 61,765,067</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Subscriptions payable	\$ 316,206	\$ 383,414
Accounts payable and accrued expenses	3,129,031	4,366,354
Contribution payable to Foundation	7,500,000	7,500,000
Other liabilities	103,896	56,007
Deferred revenue	<u>6,834,108</u>	<u>4,700,649</u>
Total liabilities	<u>17,883,241</u>	<u>17,006,424</u>
 Net assets:		
Net assets without donor restrictions	<u>37,193,045</u>	<u>44,758,643</u>
 Total liabilities and net assets	 <u>\$ 55,076,286</u>	 <u>\$ 61,765,067</u>

**American College of Rheumatology, Inc.**  
**Statements of Activities**  
**Years ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Changes in net assets:		
Revenue:		
Meetings	\$ 8,821,493	\$ 10,475,782
Royalties	6,976,219	5,460,242
Membership dues	1,909,515	1,741,461
Subscription Income	764,760	512,488
Sales	16,754	19,093
Gifts and grants	8,545,696	7,534,752
Investment and interest income	605,541	542,562
Net realized and unrealized gains (losses) on investments	(6,042,389)	7,943,211
Other	2,991,503	2,899,272
	<u>24,589,092</u>	<u>37,128,863</u>
Total revenue		
Expenses:		
Program services:		
Annual Meeting Education	3,843,806	3,137,841
Professional Education	2,806,366	1,644,458
Enterprise Solutions	1,379,568	631,647
Rheumatology Training	1,402,435	1,025,627
Professional Certifications	74,083	59,738
Association of Rheumatology Professionals (ARP)	650,862	807,293
Medical Journals	2,026,654	2,265,873
Communications	1,211,756	1,194,377
Practice (CORC)	628,897	614,409
Government Affairs	1,292,436	970,878
Research	187,607	230,084
Quality	1,348,403	1,218,853
Registry	2,056,031	1,813,772
Collaborative Projects	2,256,565	2,079,888
Contribution to Foundation	-	7,500,000
	<u>21,165,469</u>	<u>25,194,738</u>
Total program services		
Supporting services – management and general	<u>10,989,221</u>	<u>9,085,689</u>
Total expenses	<u>32,154,690</u>	<u>34,280,427</u>
Change in net assets	(7,565,598)	2,848,436
Net assets at beginning of year	<u>44,758,643</u>	<u>41,910,207</u>
Net assets at end of year	<u>\$ 37,193,045</u>	<u>\$ 44,758,643</u>

See accompanying notes.

**American College of Rheumatology, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Program Services														Supporting	Total	
	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	Total		Management and General
Salaries and benefits	\$ 1,479,361	\$ 600,080	\$ 903,603	\$ 275,488	\$ 36,529	\$ 344,329	\$ 1,259,704	\$ 500,902	\$ 487,813	\$ 711,988	\$ 118,988	\$ 752,463	\$ 488,608	\$ 751,635	\$ 8,711,491	\$ 7,274,079	\$ 15,985,570
Professional fees	729,464	777,251	347,057	1,064,878	33,880	217,142	600,028	625,173	18,224	142,641	31,463	360,101	1,267,225	1,403,472	7,617,999	1,596,130	9,214,129
Conferences, conventions, and meetings	895,772	989,431	-	4,382	-	2,802	-	1,921	7,770	55,224	18,494	-	-	7,329	1,983,125	261,397	2,244,522
Travel	18,654	262,512	-	2,896	-	24,016	6,258	-	44,594	83,223	6,441	-	1,695	5,963	456,252	299,015	755,267
Postage, printing and publications	28,675	16,850	-	62	-	369	28	-	-	39,403	-	573	2,597	4,607	93,164	64,495	157,659
Occupancy	23,383	9,730	14,635	4,517	594	5,343	20,416	8,156	7,872	61,937	1,962	12,131	7,434	11,795	189,905	152,000	341,905
Supplies	182,621	10,516	920	2,456	30	(1,088)	2,532	875	1,955	14,966	99	613	376	4,237	221,108	76,539	297,647
Equipment maintenance and rental	3,482	1,449	2,179	673	88	796	3,040	1,214	1,172	1,718	292	1,806	1,107	1,756	20,772	17,657	38,429
Telephone, technology and internet	83,715	52,660	78,953	25,828	1,721	18,579	65,702	27,764	41,387	41,559	5,768	38,834	229,429	52,288	764,187	418,961	1,183,148
Depreciation	53,432	49,066	24,931	7,311	961	8,648	33,047	13,202	12,743	18,675	3,175	44,823	48,836	19,093	337,943	231,666	569,609
Training and educational materials	13,204	11,273	395	7,775	-	2,876	1,264	28,708	1,305	99,956	-	128,731	4,362	3,529	303,378	112,497	415,875
Insurance	102,537	4,585	6,895	2,130	280	2,515	9,619	3,841	3,709	5,435	925	5,716	3,504	5,557	157,248	83,074	240,322
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,545	4,545
Contribution to Foundation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	229,506	20,963	-	4,039	-	24,535	25,016	-	353	15,711	-	2,612	858	(14,696)	308,897	397,166	706,063
	<u>\$ 3,843,806</u>	<u>\$ 2,806,366</u>	<u>\$ 1,379,568</u>	<u>\$ 1,402,435</u>	<u>\$ 74,083</u>	<u>\$ 650,862</u>	<u>\$ 2,026,654</u>	<u>\$ 1,211,756</u>	<u>\$ 628,897</u>	<u>\$ 1,292,436</u>	<u>\$ 187,607</u>	<u>\$ 1,348,403</u>	<u>\$ 2,056,031</u>	<u>\$ 2,256,565</u>	<u>\$ 21,165,469</u>	<u>\$ 10,989,221</u>	<u>\$ 32,154,690</u>

See accompanying notes.

**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
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
	\$ 3,137,841	\$ 1,644,458	\$ 631,647	\$ 1,025,627	\$ 59,738	\$ 807,293	\$ 2,265,873	\$ 1,194,377	\$ 614,409	\$ 970,878	\$ 230,084	\$ 1,218,853	\$ 1,813,772	\$ 2,079,888	\$ 7,500,000	\$ 25,194,738	\$ 9,085,689	\$ 34,280,427

See accompanying notes.



**American College of Rheumatology, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,565,598)	2,848,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	569,609	667,545
Net realized and unrealized gains on investments	6,042,389	(7,943,211)
Change in assets and liabilities:		
Accounts receivable	(795,405)	(1,175,792)
Deposits and other assets	(204,530)	69,922
Subscriptions payable	(67,208)	16,367
Accounts payable and accrued expenses	(1,237,323)	2,444,761
Contribution payable to Foundation	-	6,100,000
Other liabilities	47,889	5,193
Deferred revenue	2,133,459	(108,905)
Net cash (used in) provided by operating activities	<u>(1,076,718)</u>	2,924,316
Cash flows from investing activities:		
Purchases of property and equipment	(700,443)	(341,591)
Purchases of investments	(15,274,937)	(22,282,838)
Proceeds from sale of investments	14,668,870	21,855,243
Net cash used in investing activities	<u>(1,306,510)</u>	(769,186)
Net change in cash and cash equivalents	<u>(2,383,228)</u>	2,155,130
Cash and cash equivalents at beginning of the year	<u>10,209,415</u>	<u>8,054,285</u>
Cash and cash equivalents at end of the year	<u>\$ 7,826,187</u>	<u>\$ 10,209,415</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.

***Reclassifications***

Certain reclassifications have been made to the fiscal year 2021 financial statements and note disclosures to conform to the 2022 presentation. These reclassifications had no impact on the total net assets or total changes in net assets in the accompanying financial statements.

***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, 2022 through November 28, 2022, 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 2022 and 2021, the College recorded a tax expense of \$4,545 and \$211 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, 2022 or 2021.

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, 2022 and 2021, respectively.

#### 4. Investments

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

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash equivalents	\$ 2,334,371	\$ 2,334,371	\$ 2,164,947	\$ 2,159,216
Equity securities	7,809,944	10,042,396	7,439,818	13,122,342
Equity funds	11,552,749	14,383,085	9,380,907	14,116,378
Bond mutual funds	5,694,227	5,343,244	5,661,780	5,689,378
Mortgage-backed securities	1,707,685	1,519,702	2,305,446	2,266,357
Corporate bonds	2,038,528	1,803,627	2,876,661	2,990,238
U.S. Treasury notes	511,836	427,798	987,576	946,636
Total	<u>\$ 31,649,340</u>	<u>\$ 35,854,223</u>	<u>\$ 30,817,135</u>	<u>\$ 41,290,545</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, 2022 and 2021.

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 6/30/2022</u>	<u>Fair Value at 6/30/2021</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period (iii)</u>
Mill Creek International Absolute Return Fund (i)	\$ 1,682,158	\$ 1,649,036	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)	\$ 868,469	\$ 749,534	\$ 141,308	(iii)	(iii)
Mill Creek Private Equity Fund V (ii)	\$ 556,821	\$ 445,483	\$ 351,491	(iii)	(iii)
Mill Creek Enhanced Income Fund, L.P. (iv)	\$ 2,163,610	\$ -	None	Initial 2 year lock-up period	90 days' notice prior to the end of March and September

- (i) The Mill Creek International Absolute Return Fund is a segregated portfolio of Mill Creek Strategic Return International, Ltd (the "Company"). The Company's principal investment objective is to generate attractive risk-adjusted returns through its investment in the Absolute Return Series of MCSR Master Fund, L.P. (the "Master Fund"). The Company invests substantially all of its assets in the Master Fund. The Master Fund predominantly invests in third-party investment companies. The fund's investment objective is to generate returns through investments in hedge funds as well as mutual funds.
- (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 Fund was formed for the purpose of investing, holding, selling, and otherwise dealing in investment securities and other assets. The Fund's investment objective is to generate returns through investments in underlying funds.
- (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.
- (iv) The Mill Creek Capital Advisors' Enhanced Income Fund, L.P. is a "fund of funds" designed to provide a diversified portfolio of private investment funds with credit focused investment strategies. The Fund seeks to generate positive total returns and distribute income periodically while assuming the risks of alternative investments in fixed income like assets.

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.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

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, 2022 and 2021.

	Fair Value at June 30, 2022	Asset at Fair Value as of June 30, 2022		
		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	\$ 2,334,371	\$ 2,334,371	\$ -	\$ -
Equity securities:				
Domestic common stock	8,175,360	8,175,360	-	-
Foreign common stock	1,867,036	1,867,036	-	-
Equity and bond mutual funds:				
Large-cap equity funds	343,039	343,039	-	-
International equity fund	5,902,231	5,902,231	-	-
Domestic equity index fund	2,866,757	2,866,757	-	-
Fixed income fund	5,343,244	5,343,244	-	-
Mortgage-backed securities	1,519,702	-	1,519,702	-
Corporate bonds	1,803,627	1,803,627	-	-
U.S Treasury notes	427,798	427,798	-	-
Total assets in the fair value hierarchy	30,583,165	\$ 29,063,463	\$ 1,519,702	\$ -
Investments at NAV (a)	5,271,058			
Total investments at fair value	\$ 35,854,223			

(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 statements of financial position.

**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	<u>946,636</u>	<u>946,636</u>	-	-
Total assets in the fair value hierarchy	38,446,492	<u>\$ 36,180,134</u>	<u>\$ 2,266,357</u>	<u>\$ -</u>
Investments at NAV (a)	<u>2,844,053</u>			
Total investments at fair value	<u>\$ 41,290,545</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 statements of financial position.

## 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, 2022 and 2021, 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 972,195	\$ 972,195
Buildings	6,059,283	6,056,028
Furniture and equipment	246,658	278,654
IT Infrastructure	914,759	853,020
Software in use	<u>3,747,525</u>	<u>2,867,120</u>
	<u>11,940,420</u>	<u>11,027,017</u>
Less accumulated depreciation and amortization	<u>5,626,381</u>	<u>5,061,332</u>
Net depreciable property and equipment	6,314,039	5,965,685
Software in development	<u>525,765</u>	<u>743,285</u>
Property and equipment, net	<u>\$ 6,839,804</u>	<u>\$ 6,708,970</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 (equal to 1.25%) plus 1.5%. No amounts were drawn on the line in 2022 or 2021.

## **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 \$953,080 and \$843,021 in 2022 and 2021, 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 \$2,955,230 and \$2,872,398 in 2022 and 2021, respectively, which are recorded in other revenue.

**American College of Rheumatology, Inc.**  
**Notes to Financial Statements**

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Included in accounts receivable at June 30, 2022 and 2021 is \$1,519,360 and \$222,832, 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, 2022 and 2021 is \$7,500,000 for the balance due on the contribution.

## **10. Subscriptions Payable and Royalty Income**

The College signed a new agreement with John Wiley & Sons, Inc. (the “Publisher”) effective January 1, 2022. Per the agreement, the Publisher produces the *A&R Journal* publication and the *AC&R* publication, and in return, the College pays a flat fee of \$500,000 per year for the subscriptions. The College had a prior agreement with the Publisher which ended December 31, 2021, whereby the Publisher produced the *A&R Journal* publication and the *AC&R* publication, and the College collected the subscription payments on behalf of the Publisher. Of these subscription payments collected by the College, \$0 and \$383,414 are due to the Publisher as of June 30, 2022 and 2021, 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 \$4,640,439 and \$3,553,962 in 2022 and 2021, 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 that 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,826,187	\$ 10,209,415
Accounts receivable	<u>3,803,734</u>	<u>3,008,329</u>
Total	<u>\$ 11,629,921</u>	<u>\$ 13,217,744</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 applied and received loan forgiveness in FY22. The income is recognized in the statement of activities for the year ended June 30, 2022.