



MOODY, FAMIGLIETTI & ANDRONICO
Certified Public Accountants & Consultants

SCLERODERMA FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



To the Board of Directors
Scleroderma Foundation, Inc.
Danvers, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Scleroderma Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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 audits 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 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 auditors consider internal control relevant to the Organization'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 Organization'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 Scleroderma Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moody, Famiglietti & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
November 13, 2018

June 30	2018	2017
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,629,007	\$ 2,820,826
Certificates of Deposit	-	189,584
Contributions Receivable	267,749	78,461
Due from Affiliates	220,778	187,414
Prepaid Expenses and Other Current Assets	165,430	132,029
Total Current Assets	3,282,964	3,408,314
Investments	7,015,334	6,938,176
Endowment	1,662,877	1,916,225
Property and Equipment, Net of Accumulated Depreciation	5,727	7,582
Website Development Costs, Net of Accumulated Amortization	-	1,337
Other Assets	16,592	16,592
Total Assets	\$ 11,983,494	\$ 12,288,226
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 101,101	\$ 142,717
Accrued Expenses	97,627	75,729
Due to Affiliates	86,658	59,853
Deferred Revenue	84,056	87,425
Current Portion of Grants Payable	1,037,380	1,112,380
Total Current Liabilities	1,406,822	1,478,104
Grants Payable, Net of Current Portion	505,000	741,454
Total Liabilities	1,911,822	2,219,558
Net Assets:		
Unrestricted	8,253,794	8,253,413
Temporarily Restricted	275,503	272,880
Permanently Restricted	1,542,375	1,542,375
Total Net Assets	10,071,672	10,068,668
Total Liabilities and Net Assets	\$ 11,983,494	\$ 12,288,226

Statements of Activities
Scleroderma Foundation, Inc.

For the Years Ended June 30	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:								
Contributions	\$ 2,422,761	\$ 366,178	\$ -	\$ 2,788,939	\$ 1,974,609	\$ 378,443	\$ -	\$ 2,353,052
Investment and Endowment Income, Net	636,306	76,828	-	713,134	804,039	127,430	-	931,469
Special Events, Net	501,447	-	-	501,447	620,947	-	-	620,947
Contributions Received from Affiliates	404,857	-	-	404,857	430,581	-	-	430,581
Voluntary Research Contributions	-	335,648	-	335,648	-	474,989	-	474,989
Bequests	162,512	-	-	162,512	699,891	-	-	699,891
Registration Fees	89,020	-	-	89,020	106,806	-	-	106,806
Returned Grant Awards	8,764	-	-	8,764	-	-	-	-
Other Income	-	-	-	-	2,000	-	-	2,000
Net Assets Released from Restrictions	776,031	(776,031)	-	-	982,650	(982,650)	-	-
Total Revenue and Other Support	5,001,698	2,623	-	5,004,321	5,621,523	(1,788)	-	5,619,735
Expenses:								
Program Services:								
Education and Support	2,843,263	-	-	2,843,263	2,792,323	-	-	2,792,323
Research	1,241,471	-	-	1,241,471	1,557,610	-	-	1,557,610
Total Program Services	4,084,734	-	-	4,084,734	4,349,933	-	-	4,349,933
Support Services:								
General and Administrative	704,504	-	-	704,504	649,463	-	-	649,463
Fundraising	212,079	-	-	212,079	203,168	-	-	203,168
Total Support Services	916,583	-	-	916,583	852,631	-	-	852,631
Total Expenses	5,001,317	-	-	5,001,317	5,202,564	-	-	5,202,564
Increase (Decrease) in Net Assets	381	2,623	-	3,004	418,959	(1,788)	-	417,171
Net Assets at Beginning of Year	8,253,413	272,880	1,542,375	10,068,668	7,834,454	274,668	1,542,375	9,651,497
Net Assets at End of Year	\$ 8,253,794	\$ 275,503	\$ 1,542,375	\$ 10,071,672	\$ 8,253,413	\$ 272,880	\$ 1,542,375	\$ 10,068,668

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30

2018

	Program Services			Support Services			Total Expenses
	Education and Support	Research	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Grants to Affiliates	\$ 391,472	\$ -	\$ 391,472	\$ -	\$ -	\$ -	\$ 391,472
Payroll and Related:							
Salaries, Wages and Taxes	728,031	19,862	747,893	286,502	87,248	373,750	1,121,643
Fringe Benefits	68,851	2,543	71,394	36,683	11,171	47,854	119,248
Total Payroll and Related	796,882	22,405	819,287	323,185	98,419	421,604	1,240,891
Other Expenses:							
Research Grants	-	1,200,000	1,200,000	-	-	-	1,200,000
Conferences	698,509	-	698,509	19,201	325	19,526	718,035
Professional Fees	188,660	4,629	193,289	66,771	20,334	87,105	280,394
Information Technology	156,913	6,071	162,984	87,578	26,670	114,248	277,232
Occupancy and Office	125,387	2,749	128,136	39,648	12,074	51,722	179,858
Travel	98,377	-	98,377	49,106	-	49,106	147,483
Printing and Copying	90,383	-	90,383	15,370	20,505	35,875	126,258
Fees and Licenses	60,532	2,279	62,811	32,867	10,009	42,876	105,687
Advocacy	73,169	-	73,169	-	-	-	73,169
Miscellaneous	42,223	1,297	43,520	18,707	5,697	24,404	67,924
Telephone	40,898	907	41,805	13,087	3,985	17,072	58,877
Postage and Delivery	26,041	-	26,041	15,930	9,080	25,010	51,051
Insurance	27,774	1,075	28,849	15,502	4,721	20,223	49,072
Promotion	22,020	-	22,020	6,700	-	6,700	28,720
Depreciation and Amortization	2,021	59	2,080	852	260	1,112	3,192
Outreach	2,002	-	2,002	-	-	-	2,002
Total Other Expenses	1,654,909	1,219,066	2,873,975	381,319	113,660	494,979	3,368,954
Total Expenses	\$ 2,843,263	\$ 1,241,471	\$ 4,084,734	\$ 704,504	\$ 212,079	\$ 916,583	\$ 5,001,317

For the Year Ended June 30

2017

	Program Services			Support Services			Total Expenses
	Education and Support	Research	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Grants to Affiliates	\$ 411,529	\$ -	\$ 411,529	\$ -	\$ -	\$ -	\$ 411,529
Payroll and Related:							
Salaries, Wages and Taxes	673,450	18,572	692,022	267,889	81,579	349,468	1,041,490
Fringe Benefits	53,414	1,865	55,279	26,894	8,190	35,084	90,363
Total Payroll and Related	726,864	20,437	747,301	294,783	89,769	384,552	1,131,853
Other Expenses:							
Research Grants	-	1,514,153	1,514,153	-	-	-	1,514,153
Conferences	706,889	5,000	711,889	27,187	9	27,196	739,085
Professional Fees	168,937	4,144	173,081	59,780	18,205	77,985	251,066
Information Technology	145,639	5,635	151,274	81,285	24,754	106,039	257,313
Occupancy and Office	120,902	2,775	123,677	40,035	12,192	52,227	175,904
Travel	105,732	603	106,335	33,189	2,569	35,758	142,093
Printing and Copying	61,390	-	61,390	14,325	33,735	48,060	109,450
Fees and Licenses	57,374	2,142	59,516	30,887	9,406	40,293	99,809
Advocacy	92,926	-	92,926	-	-	-	92,926
Miscellaneous	29,626	378	30,004	5,452	1,661	7,113	37,117
Telephone	27,375	390	27,765	5,648	1,722	7,370	35,135
Postage and Delivery	18,947	-	18,947	26,923	-	26,923	45,870
Insurance	39,699	1,536	41,235	22,156	6,745	28,901	70,136
Promotion	60,975	-	60,975	1,799	570	2,369	63,344
Depreciation and Amortization	11,022	417	11,439	6,014	1,831	7,845	19,284
Outreach	6,497	-	6,497	-	-	-	6,497
Total Other Expenses	1,653,930	1,537,173	3,191,103	354,680	113,399	468,079	3,659,182
Total Expenses	\$ 2,792,323	\$ 1,557,610	\$ 4,349,933	\$ 649,463	\$ 203,168	\$ 852,631	\$ 5,202,564

For the Years Ended June 30	2018	2017
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 3,004	\$ 417,171
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Depreciation and Amortization	3,192	19,284
Net Unrealized Gains on Investments and Endowment	(65,319)	(463,255)
Net Realized Gains on Investments and Endowment	(477,852)	(301,542)
(Increase) Decrease in Contributions Receivable	(189,288)	6,749
(Increase) Decrease in Due from Affiliates	(33,364)	66,060
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(33,401)	47,474
(Decrease) Increase in Accounts Payable	(41,616)	33,730
Increase in Accrued Expenses	21,898	4,317
Decrease in Grants Payable	(311,454)	(158,278)
Increase (Decrease) in Due to Affiliates	26,805	(23,259)
(Decrease) Increase in Deferred Revenue	(3,369)	2,574
Net Cash Used in Operating Activities	(1,100,764)	(348,975)
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments and Endowment	2,688,681	5,254,773
Purchase of Investments and Endowment	(1,969,320)	(3,757,783)
Net Maturities of Certificates of Deposit	189,584	12,095
Increase in Other Assets	-	(300)
Net Cash Provided by Investing Activities	908,945	1,508,785
Net (Decrease) Increase in Cash and Cash Equivalents	(191,819)	1,159,810
Cash and Cash Equivalents, Beginning of Year	2,820,826	1,661,016
Cash and Cash Equivalents, End of Year	\$ 2,629,007	\$ 2,820,826

1. Organization and Summary of Significant Accounting Policies:

Nature of Organization: Scleroderma Foundation, Inc. (the "Organization") is dedicated to the concerns of people whose lives have been impacted by the autoimmune disease scleroderma, also known as systemic sclerosis, and related conditions. The Organization's threefold mission of support, education, and research guides the Organization's work in providing education programs for patients and their families, peer-to-peer support through its nationwide network of chapters and support groups, advocacy efforts to increase awareness of the disease among the general public and the medical community. The Organization also has a research program that funds clinical research to find the cause and cure for scleroderma and related conditions.

The Organization operates through a consortium of chapters and affiliates. The chapter offices are controlled and operated by the Organization. All chapter activity is included in the accompanying financial statements. The affiliates are separately incorporated organizations that function as chapters and are contractually obligated to provide dues in exchange for the use of the name "Scleroderma Foundation." Affiliate operations are not reflected in the accompanying financial statements.

Method of Accounting: The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Classification and Reporting of Net Assets: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization. As of June 30, 2018 and 2017, the Board of Directors designated net assets of \$120,502 and \$373,850, respectively, to

support research programs. The use of these net assets must be approved by the Board of Directors.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

The fair value hierarchy is as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

1. Organization and Summary of Significant Accounting Policies (Continued):

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received (pledged). Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activities.

Contributions recognized with donor-imposed restrictions, which are met in the same year as recognized, are reported as revenues of the temporarily restricted net asset class. Contributions received with donor-imposed restrictions that are met subsequent to the year in which they are recognized are also reported as revenues of the temporarily restricted net asset class when they are recognized. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of donated services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of goods

and space to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or space is received. During the year ended June 30, 2018 the Organization did not receive donated services. During the year ended June 30, 2017, the Organization received donated services of \$2,000.

Revenue Recognition: Revenues, when recognized, are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Registration fees for the Organization's annual conference and revenues related to special events are generally recognized when the conference or event takes place. Special event revenues are shown net of direct costs of benefits to donors.

The Organization receives contributions from affiliate organizations based on an arrangement to coordinate and unify fundraising efforts with standard terms, conditions and allocation percentages for revenue sharing. Contributions from affiliates are recognized, based on the existence of this arrangement, when the amounts are fixed or determinable and collection is probable.

The voluntary research contribution revenue is a voluntarily contribution determined by each affiliate based on their individual capacity to give. Revenues from voluntary research contributions are treated as contributions revenue and recognized when the promise is received.

Deferred Revenue: Deferred revenue consists of registration fees collected in advance of the Organization's annual conference.

Cash and Cash Equivalents: The Organization maintains deposits in accounts which may, at times, exceed federally insured limits. The Organization has a cash management program which provides for investment of excess cash balances in a sweep account. The Organization considers such highly liquid investments with original maturities of three months or less when purchased to be cash equivalents unless designated for long-term purposes.

1. Organization and Summary of Significant Accounting Policies (Continued):

Certificates of Deposit: The Organization's cash management program also provides for investment of certain excess cash in certificates of deposit with original maturities of greater than three months.

Certificates of deposit with original maturities greater than ninety days, but mature in less than one year, are included as current assets on the accompanying statements of financial position.

Grants Payable: Grants payable are recorded when awards are approved and committed to the recipients.

Investments and Investment Income: Investments are reported at fair value as of the date of the statements of financial position. Realized and unrealized gains and losses are reflected in the accompanying statements of activities. Investment income or loss, including realized and unrealized gains and losses on investments, interest and dividends, is included in unrestricted net assets unless the income or loss is restricted by the donor or by law.

Endowment and Endowment Income: The Organization's endowment consists of investments in various equity securities, corporate bonds, and money market funds. The endowment includes those net assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period and board designated net assets.

Interpretation of Relevant Law: The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as promulgated by Massachusetts. The Organization's Board of Directors has interpreted the UPMIFA as considering the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d)

appreciation (depreciation) in the fair value of permanent endowment investments, if directed by the donor. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, cash equivalents, certificates of deposit, investments, endowment and contributions receivable. The Organization maintains its cash, cash equivalents, certificates of deposit, investments and endowment with high credit-quality financial institutions. Contributions receivable are stated at the amount management expects to collect from outstanding balances. There was no allowance for doubtful accounts as of June 30, 2018 and 2017.

Property and Equipment: Property and equipment acquisitions are recorded at cost. Property and equipment donated for the Organization's operations are recorded at fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Computer Equipment	3 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Lesser of Useful Life or Lease Term

1. Organization and Summary of Significant Accounting Policies (Continued):

Website Development Costs: The Organization capitalizes certain costs associated with website development. Capitalization of website development costs begins at the start of the application development stage and ceases once testing is complete and the website is placed in operation. Additional costs may also be capitalized subsequent to the date the website is placed in operation if the modifications result in additional functionality. Website development costs are amortized using the straight-line method over the period of five years.

Impairment of Long-Lived Assets: It is required that long-lived assets be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is to be measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of June 30, 2018 and 2017, the Organization determined that long-lived assets, including property and equipment, and website development costs, were not impaired.

Advertising and Promotion: The Organization uses advertising to promote its programs and special events among the audiences it serves. The costs of advertising are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 amounted to \$28,720 and \$63,344, respectively.

Functional Allocation of Expenses: The costs of providing the Organization's various programs and support services have been summarized on a functional basis. Accordingly, based upon management's estimates, certain costs have been allocated among major classes

of program services and support activities as shown in the statements of functional expenses. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated as appropriate.

Income Taxes: The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from unrelated trade or business income. The Organization has determined that it does not have any liabilities associated with unrelated trade or business income and as a result, no provision for income taxes is presented in these financial statements.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of activities.

Use of Estimates: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from June 30, 2018 through November 13, 2018, the date the financial statements were available to be issued.

2. Investments and Endowment:

Investments and endowment as of June 30, 2018 and 2017 consist of the following:

	2018		
	Investments	Endowment	Total
Money Market			
Funds	\$ 603,470	\$ 35,973	\$ 639,443
Equity			
Securities	3,685,831	625,404	4,311,235
Mutual Funds	1,375,890	23,329	1,399,219
Corporate			
Bonds	1,350,143	978,171	2,328,314
Total	<u>\$ 7,015,334</u>	<u>\$ 1,662,877</u>	<u>\$ 8,678,211</u>
	2017		
	Investments	Endowment	Total
Money Market			
Funds	\$ 512,558	\$ 141,685	\$ 654,243
Equity			
Securities	3,716,165	671,973	4,388,138
Mutual Funds	1,124,734	-	1,124,734
Corporate			
Bonds	1,584,719	1,102,567	2,687,286
Total	<u>\$ 6,938,176</u>	<u>\$ 1,916,225</u>	<u>\$ 8,854,401</u>

For the years ended June 30, 2018 and 2017, investment and endowment income consists of the following:

	2018	2017
Net Realized Gains	\$ 477,852	\$ 301,542
Interest and Dividends	169,963	166,672
Net Unrealized Gains	<u>65,319</u>	<u>463,255</u>
Total Investment and Endowment Income	<u>\$ 713,134</u>	<u>\$ 931,469</u>

For the years ended June 30, 2018 and 2017, the Organization incurred investment fees in the amounts of \$47,773 and \$47,497, respectively. The investment fees balance is included in fees and licenses within the statement of functional expenses.

Risk Objectives and Risk Parameters: The Organization's Board of Directors has established investment policies over the endowment's general investments. The Organization's investment policy is designed, over the long-term, to produce funds for research and to preserve the value of the original gifts. To satisfy the long-term rate of return objectives determined by the Board of Directors, the Organization relies on a total return strategy in which investment returns are achieved through both current yield and capital appreciation. The Organization targets diversified assets allocations, each of which places a greater emphasis on equity-based investments to achieve the long-term return objectives. Over time, the strategy is to have 55%-70% of the endowment funds invested in equity-based investments to achieve its long-term return objectives, and 15%-75% of the endowment funds invested in fixed income securities and cash reserves to maintain prudent risk constraints.

Spending Policy: For the year ended June 30, 2018, the Organization implemented an investment and endowment spending policy. The Organization's endowment spending is determined annually at the discretion of the Organization's board of directors through the formal budgeting process. The Organization's approved annual spending program includes a withdrawal rate equal to up to 4% of the portfolio value of investments and endowments on a rolling five-year average balance of the investments and endowment's market value, in which distributions shall be made quarterly to the Organization. During the implementation year the approved budget calls for an investment and endowment spending rate greater than 4%.

2. Investments and Endowment (Continued):

Endowment: The endowment consists of a permanently restricted fund established in 2007, which has been restricted as to its use by the donor or by law to support research for the disease scleroderma, and funds designated by the Board to function as endowments. As of June 30, 2018 and 2017, the endowment consists of the following:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board Designated Endowment Funds	\$ 120,502	\$ -	\$ -	\$ 120,502
Donor Restricted Endowment Funds	-	-	1,542,375	1,542,375
Endowment, End of Year	\$ 120,502	\$ -	\$ 1,542,375	\$ 1,662,877

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board Designated Endowment Funds	\$ 373,850	\$ -	\$ -	\$ 373,850
Donor Restricted Endowment Funds	-	-	1,542,375	1,542,375
Endowment, End of Year	\$ 373,850	\$ -	\$ 1,542,375	\$ 1,916,225

2. Investments and Endowment (Continued):

The change in the endowment by net asset classification for the years ended June 30, 2018 and 2017 consists of the following:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, Beginning of Year	\$ 373,850	\$ -	\$ 1,542,375	\$ 1,916,225
Investment Returns:				
Interest and Dividend Income	-	37,476	-	37,476
Investment Fees	-	(11,303)	-	(11,303)
Net Realized and Unrealized Gains	-	38,890	-	38,890
Total Investment Returns	-	65,063	-	65,063
Appropriation of Endowment Assets for Donor-Designated Expenditures	(253,348)	(65,063)	-	(318,411)
Endowment, End of Year	\$ 120,502	\$ -	\$ 1,542,375	\$ 1,662,877
	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, Beginning of Year	\$ 343,996	\$ -	\$ 1,542,375	\$ 1,886,371
Investment Returns:				
Interest and Dividend Income	-	38,378	-	38,378
Investment Fees	-	(12,157)	-	(12,157)
Net Realized and Unrealized Gains	-	88,450	-	88,450
Total Investment Returns	-	114,671	-	114,671
Appropriation of Endowment Assets for Donor-Designated Expenditures	29,854	(114,671)	-	(84,817)
Endowment, End of Year	\$ 373,850	\$ -	\$ 1,542,375	\$ 1,916,225

3. Fair Value Measurements:

Investments and endowment assets measured at fair value on a recurring basis as of June 30, 2018 and 2017 were as follows:

	2018			
	Fair Value Measurements as of June 30, 2018			
	Totals	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 639,443	\$ 639,443	\$ -	\$ -
Equity Securities:				
Technology Sector	1,073,727	1,073,727	-	-
Consumer Goods	873,050	873,050	-	-
Healthcare Sector	808,357	808,357	-	-
Financial Sector	687,801	687,801	-	-
Industrial Sector	486,051	486,051	-	-
Energy Sector	382,249	382,249	-	-
Total Equity Securities	4,311,235	4,311,235	-	-
Corporate Bonds	2,328,314	-	2,328,314	-
Mutual Funds:				
Balanced Moderate Allocation Mutual Funds	804,114	804,114	-	-
Bond Funds	595,105	595,105	-	-
Total Mutual Funds	1,399,219	1,399,219	-	-
Total	\$ 8,678,211	\$ 6,349,897	\$ 2,328,314	\$ -

3. Fair Value Measurements (Continued):

	2017			
	Fair Value Measurements as of June 30, 2017			
	Totals	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 654,243	\$ 654,243	\$ -	\$ -
Equity Securities:				
Technology Sector	1,231,142	1,231,142	-	-
Consumer Goods	887,778	887,778	-	-
Healthcare Sector	741,081	741,081	-	-
Financial Sector	689,368	689,368	-	-
Industrial Sector	503,619	503,619	-	-
Energy Sector	328,032	328,032	-	-
Basic Materials	7,118	7,118	-	-
Total Equity Securities	4,388,138	4,388,138	-	-
Corporate Bonds	2,687,286	-	2,687,286	-
Mutual Funds:				
Balanced Moderate Allocation Mutual Funds	769,476	769,476	-	-
Bond Funds	355,258	355,258	-	-
Total Mutual Funds	1,124,734	1,124,734	-	-
Total	\$ 8,854,401	\$ 6,167,115	\$ 2,687,286	\$ -

Money Market Funds: Valued at the daily closing price as reported by the fund from an active market.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds and U.S. Treasury Notes: Utilizing Level 2 inputs, are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds or notes, the bond or notes are valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available. Corporate bonds and U.S. Treasury notes seek to preserve capital while also providing a competitive level of income over time.

Balance Moderate Allocation Mutual Funds and Bond Funds: Valued at the daily closing price as reported by the fund. Balance moderate allocation mutual funds and bond funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value (NAV) and to transact at that price. The Balance moderate allocation mutual funds and bond funds held by the Organization are deemed to be actively traded.

4. Transactions with Affiliates:

The Organization is associated with separately incorporated nonprofit organizations throughout the United States of America referred to as affiliates. The affiliates share common goals and work in cooperation with the Organization.

The Organization functions as a pass-through funding source for contributions designated for the affiliates. In addition, the affiliates remit a percentage of their contributions to the Organization based on various financial factors and additional voluntary contributions. Transactions with affiliates consisted of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Grants Passed-Through to Affiliates	\$ 391,472	\$ 411,529
Contributions Received from Affiliates	\$ 404,857	\$ 430,581
Voluntary Research Contributions Received from Affiliates	\$ 335,648	\$ 474,989

As of June 30, 2018 and 2017 the Organization had amounts due from/to affiliates as follows:

	2018	2017
Amounts Due from Affiliates	\$ 220,778	\$ 187,414
Amounts Due to Affiliates	\$ 86,658	\$ 59,853

5. Contributions Receivable:

Contributions receivable as of June 30, 2018 and 2017 amounted to \$267,749 and \$78,461, respectively, and represented amounts due to be received in less than one year from the statements of financial position date.

6. Property and Equipment:

Property and equipment consists of the following as of June 30, 2018 and 2017:

	2018	2017
Computer Equipment	\$ 75,101	\$ 75,101
Furniture and Fixtures	70,690	70,690
Leasehold Improvements	8,393	8,393
Land	2,000	2,000
	<u>156,184</u>	<u>156,184</u>
Less: Accumulated Depreciation	150,457	148,602
	<u>\$ 5,727</u>	<u>\$ 7,582</u>

Depreciation expense amounted to \$1,855 and \$3,132 for the years ended June 30, 2018 and 2017, respectively.

7. Website Development Costs:

As of June 30, 2018 and 2017, capitalized website development costs consist of the following:

	2018	2017
Website Development Costs	\$ 80,730	\$ 80,730
Less: Accumulated Amortization	80,730	79,393
	<u>\$ -</u>	<u>\$ 1,337</u>

Amortization expense amounted to \$1,337 and \$16,152 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 the Organization's website development costs are fully amortized.

8. Grants Payable:

The Organization provides grants to non-affiliates for research purposes. Grants payable as of June 30, 2018 are due to recipients as follows:

Year Ended	
June 30,	
2019	\$ 1,037,380
2020	<u>505,000</u>
	<u>\$ 1,542,380</u>

Long-term grants payable has not been discounted, as the discount would be immaterial to the financial statements taken as a whole.

9. Temporarily Restricted Net Assets:

As of June 30, 2018 and 2017, temporarily restricted net assets consist of funds restricted by donors for the following purposes:

	2018	2017
Research	\$ 250,000	\$ 250,000
Scholarships	<u>25,503</u>	<u>22,880</u>
	<u>\$ 275,503</u>	<u>\$ 272,880</u>

10. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by the passage of time. Net assets released from restriction during the years ended June 30, 2018 and 2017 consists of the following:

	2018	2017
Research	\$ 738,189	\$ 908,662
Scholarships	27,842	58,988
Educational Seminars	<u>10,000</u>	<u>15,000</u>
	<u>\$ 776,031</u>	<u>\$ 982,650</u>

11. Permanently Restricted Net Assets:

Permanently restricted net assets totaling \$1,542,375 as of June 30, 2018 and 2017, represent contributions for the Feeney Fund, for which such contributions have been permanently restricted by donors. Gains generated from the endowment fund may be used for research programs.

12. Special Events:

Special events revenue is shown net of direct related expenses in the accompanying statements of activities and consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Gross Special Events Revenue	\$ 756,864	\$ 911,911
Less: Direct Costs of Benefits to Donors	<u>(255,417)</u>	<u>(290,964)</u>
	<u>\$ 501,447</u>	<u>\$ 620,947</u>

13. Operating Leases:

The Organization is party to an operating lease for office space in Danvers, Massachusetts, with an amended expiration date of April 2020. Under the terms of the amended lease agreement, the Organization is required to remit escalating monthly rental payments ranging from \$7,726 to \$8,187 through April 2020. Certain chapters of the Organization are party to operating leases on a month-to-month basis and noncancelable leases with expiration dates through February 2021. Rent expense incurred by the Organization under these lease agreements amounted to \$133,987 and \$119,867 for the years ended June 30, 2018 and 2017, respectively.

The Organization also leases certain rental equipment, with expiration dates through September 2019. Rent expense incurred by the Organization under these lease agreements amounted to \$17,750 and \$18,541 for the years ended June 30, 2018 and 2017, respectively.

13. Operating Leases (Continued):

Future minimum rental payments due under these noncancelable lease agreements as of June 30, 2018 are as follows:

Year Ended**June 30,**

2019	\$ 112,486
2020	93,875
2021	<u>7,584</u>
	<u>\$ 213,945</u>

14. Economic Dependency:

For the years ended June 30, 2018 and 2017, one and two contributors represented 18% and 30%, respectively, of total contributions and bequests. As of June 30, 2018 and 2017, two and one contributors represented 86% and 95%, respectively, of contributions receivable.

15. Retirement Plan:

The Organization sponsors an IRC Section 403(b) plan for eligible employees, which allows participants to defer a portion of their salaries into a variety of investment options. The plan allows for employee salary deferrals, not to exceed the legal limit. The Organization matches 100% of the employee contributions up to a maximum of 3% of the employee's annual compensation. The Organization's matching contribution expenses related to this plan amounted to \$20,966 and \$14,755 for the years ended June 30, 2018 and 2017, respectively.

16. Indemnifications:

In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of June 30, 2018 and 2017, no amounts have been accrued related to such indemnification provisions.

