



MOODY, FAMIGLIETTI & ANDRONICO  
Certified Public Accountants & Consultants

**SCLERODERMA FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Scleroderma Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.



Scleroderma Foundation, Inc.  
Page 2

*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, 2015 and 2014, 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 11, 2015

June 30	2015	2014
<b>Assets</b>		
Current Assets:		
Cash and Equivalents	\$ 2,094,420	\$ 1,696,613
Certificates of Deposit	140,838	200,315
Contributions Receivable	69,920	478,970
Due from Affiliates	235,654	161,176
Prepaid Expenses and Other Current Assets	159,333	247,515
<b>Total Current Assets</b>	<b>2,700,165</b>	<b>2,784,589</b>
Certificates of Deposit	60,101	-
Investments	7,881,024	7,550,611
Endowment	2,056,133	2,051,305
Property and Equipment, Net of Accumulated Depreciation	8,758	12,606
Website Development Costs, Net of Accumulated Amortization	33,637	49,783
Other Assets	15,292	16,292
<b>Total Assets</b>	<b>\$ 12,755,110</b>	<b>\$ 12,465,186</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts Payable	\$ 67,273	\$ 51,239
Accrued Expenses	81,255	75,672
Due to Affiliates	71,147	120,126
Deferred Revenue	73,045	67,980
Current Portion of Grants Payable	1,279,611	760,000
<b>Total Current Liabilities</b>	<b>1,572,331</b>	<b>1,075,017</b>
Grants Payable, Net of Current Portion	764,806	417,500
<b>Total Liabilities</b>	<b>2,337,137</b>	<b>1,492,517</b>
Net Assets:		
Unrestricted	8,298,303	9,119,805
Temporarily Restricted	577,295	310,489
Permanently Restricted	1,542,375	1,542,375
<b>Total Net Assets</b>	<b>10,417,973</b>	<b>10,972,669</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,755,110</b>	<b>\$ 12,465,186</b>

Statements of Activities

Scleroderma Foundation, Inc.

For the Years Ended June 30	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:								
Contributions	\$ 1,897,898	\$ 1,297,758	\$ -	\$ 3,195,656	\$ 1,636,939	\$ 398,551	\$ -	\$ 2,035,490
Special Events, Net	821,425	-	-	821,425	824,445	-	-	824,445
Contributions Received from Affiliates	345,717	-	-	345,717	411,579	-	-	411,579
Voluntary Research Contributions	-	235,684	-	235,684	-	160,000	-	160,000
Interest and Dividends	132,235	44,078	-	176,313	142,482	43,545	-	186,027
Net Realized Gains on Investments and Endowment	149,923	25,692	-	175,615	291,532	288,764	-	580,296
Net Unrealized (Losses) Gains on Investments and Endowment	(130,287)	(19,997)	-	(150,284)	291,192	146,407	-	437,599
Returned Grant Awards	113,091	-	-	113,091	2,161	-	-	2,161
Registration Fees	95,672	-	-	95,672	102,752	-	-	102,752
Bequests	61,635	-	-	61,635	495,782	47,178	-	542,960
Other Income	2,000	-	-	2,000	3,000	-	-	3,000
Net Assets Released from Restrictions	1,316,409	(1,316,409)	-	-	1,149,575	(1,149,575)	-	-
<b>Total Revenue and Other Support</b>	<b>4,805,718</b>	<b>266,806</b>	<b>-</b>	<b>5,072,524</b>	<b>5,351,439</b>	<b>(65,130)</b>	<b>-</b>	<b>5,286,309</b>
Expenses:								
Program Services:								
Education and Support	2,723,769	-	-	2,723,769	2,557,901	-	-	2,557,901
Research	2,185,073	-	-	2,185,073	1,041,108	-	-	1,041,108
<b>Total Program Services</b>	<b>4,908,842</b>	<b>-</b>	<b>-</b>	<b>4,908,842</b>	<b>3,599,009</b>	<b>-</b>	<b>-</b>	<b>3,599,009</b>
Support Services:								
General and Administrative	491,576	-	-	491,576	535,726	-	-	535,726
Fundraising	226,802	-	-	226,802	196,330	-	-	196,330
<b>Total Support Services</b>	<b>718,378</b>	<b>-</b>	<b>-</b>	<b>718,378</b>	<b>732,056</b>	<b>-</b>	<b>-</b>	<b>732,056</b>
<b>Total Expenses</b>	<b>5,627,220</b>	<b>-</b>	<b>-</b>	<b>5,627,220</b>	<b>4,331,065</b>	<b>-</b>	<b>-</b>	<b>4,331,065</b>
(Decrease) Increase in Net Assets	(821,502)	266,806	-	(554,696)	1,020,374	(65,130)	-	955,244
Net Assets at Beginning of Year	9,119,805	310,489	1,542,375	10,972,669	8,099,431	375,619	1,542,375	10,017,425
Net Assets at End of Year	<b>\$ 8,298,303</b>	<b>\$ 577,295</b>	<b>\$ 1,542,375</b>	<b>\$ 10,417,973</b>	<b>\$ 9,119,805</b>	<b>\$ 310,489</b>	<b>\$ 1,542,375</b>	<b>\$ 10,972,669</b>

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

For the Year Ended June 30

2015

	Program Services			Support Services			Total Expenses
	Education and Support	Research	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Grants to Affiliates	\$ 430,986	\$ -	\$ 430,986	\$ -	\$ -	\$ -	\$ 430,986
Payroll and Related:							
Salaries, Wages and Taxes	581,366	15,488	596,854	223,412	68,035	291,447	888,301
Fringe Benefits	46,606	1,700	48,306	24,529	7,470	31,999	80,305
Total Payroll and Related	627,972	17,188	645,160	247,941	75,505	323,446	968,606
Other Expenses:							
Research Grants	-	2,145,957	2,145,957	-	-	-	2,145,957
Conferences	655,102	3,725	658,827	13,040	1,831	14,871	673,698
Professional Fees	232,720	2,461	235,181	35,499	10,810	46,309	281,490
Occupancy and Office	115,250	2,828	118,078	40,789	12,421	53,210	171,288
Outreach	156,697	-	156,697	-	-	-	156,697
Information Technology	86,900	3,362	90,262	48,502	14,770	63,272	153,534
Printing and Copying	86,261	-	86,261	5,042	52,784	57,826	144,087
Travel	74,086	4,824	78,910	25,327	7,279	32,606	111,516
Insurance	43,725	1,692	45,417	24,404	7,432	31,836	77,253
Fees and Licenses	43,395	1,654	45,049	23,858	7,266	31,124	76,173
Postage and Delivery	35,345	-	35,345	7,240	30,632	37,872	73,217
Advocacy	53,815	-	53,815	-	-	-	53,815
Telephone	28,530	473	29,003	6,821	2,078	8,899	37,902
Miscellaneous	24,557	376	24,933	5,425	1,653	7,078	32,011
Depreciation and Amortization	14,022	533	14,555	7,688	2,341	10,029	24,584
Promotion	14,406	-	14,406	-	-	-	14,406
Total Other Expenses	1,664,811	2,167,885	3,832,696	243,635	151,297	394,932	4,227,628
Total Expenses	\$ 2,723,769	\$ 2,185,073	\$ 4,908,842	\$ 491,576	\$ 226,802	\$ 718,378	\$ 5,627,220

For the Year Ended June 30

2014

	Program Services			Support Services			Total Expenses
	Education and Support	Research	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Grants to Affiliates	\$ 429,058	\$ -	\$ 429,058	\$ -	\$ -	\$ -	\$ 429,058
Payroll and Related:							
Salaries, Wages and Taxes	607,387	15,500	622,887	223,577	68,087	291,664	914,551
Fringe Benefits	59,045	2,215	61,260	31,951	9,726	41,677	102,937
Total Payroll and Related	666,432	17,715	684,147	255,528	77,813	333,341	1,017,488
Other Expenses:							
Research Grants	-	1,005,977	1,005,977	-	-	-	1,005,977
Conferences	574,583	2,095	576,678	1,011	-	1,011	577,689
Professional Fees	203,570	1,991	205,561	30,371	8,744	39,115	244,676
Occupancy and Office	107,037	2,714	109,751	39,162	11,925	51,087	160,838
Outreach	39,079	-	39,079	-	-	-	39,079
Information Technology	70,366	2,723	73,089	39,273	11,961	51,234	124,323
Printing and Copying	86,679	-	86,679	6,508	38,883	45,391	132,070
Travel	93,658	4,786	98,444	21,725	8,768	30,493	128,937
Insurance	43,473	1,682	45,155	24,263	7,388	31,651	76,806
Fees and Licenses	6,620	203	6,823	75,656	890	76,546	83,369
Postage and Delivery	39,916	190	40,106	8,821	25,427	34,248	74,354
Advocacy	112,553	-	112,553	-	-	-	112,553
Telephone	27,737	414	28,151	5,975	1,818	7,793	35,944
Miscellaneous	21,206	-	21,206	18,524	-	18,524	39,730
Depreciation and Amortization	16,241	618	16,859	8,909	2,713	11,622	28,481
Promotion	19,693	-	19,693	-	-	-	19,693
Total Other Expenses	1,462,411	1,023,393	2,485,804	280,198	118,517	398,715	2,884,519
Total Expenses	\$ 2,557,901	\$ 1,041,108	\$ 3,599,009	\$ 535,726	\$ 196,330	\$ 732,056	\$ 4,331,065

For the Years Ended June 30	2015	2014
Cash Flows from Operating Activities:		
(Decrease) Increase in Net Assets	\$ (554,696)	\$ 955,244
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	24,584	28,481
Net Unrealized Losses (Gains) on Investments and Endowment	150,284	(437,599)
Net Realized Gains on Investments and Endowment	(175,615)	(580,296)
Decrease (Increase) in Contributions Receivable	409,050	(408,970)
(Increase) Decrease in Due from Affiliates	(74,478)	195,864
Decrease (Increase) in Prepaid Expenses and Other Current Assets	88,182	(124,261)
Increase (Decrease) in Accounts Payable	16,034	(16,302)
Increase (Decrease) in Accrued Expenses	5,583	(5,967)
Increase (Decrease) in Grants Payable	866,917	(120,000)
Decrease in Due to Affiliates	(48,979)	(9,168)
Increase in Deferred Revenue	5,065	22,295
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>711,931</b>	<b>(500,679)</b>
Cash Flows from Investing Activities:		
Purchase of Investments and Endowment	(3,903,018)	(4,718,336)
Proceeds from Sales of Investments and Endowment	3,593,108	5,004,587
Acquisition of Property and Equipment	(4,590)	(6,105)
Decrease in Other Assets	1,000	2,039
(Purchase of) Net Proceeds from Maturities of Certificates of Deposit	(624)	49,177
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(314,124)</b>	<b>331,362</b>
Net Increase (Decrease) in Cash and Equivalents	397,807	(169,317)
Cash and Equivalents, Beginning of Year	1,696,613	1,865,930
Cash and Equivalents, End of Year	<b>\$ 2,094,420</b>	<b>\$ 1,696,613</b>



## 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. Its 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." Therefore, 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, 2015 and 2014, the Board of Directors designated net

assets of \$312,133 and \$282,180, 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.

*Cash and 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 sweep accounts. 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.

*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.

*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, 2015 and 2014.

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

*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. The endowment funds include only donor-restricted funds, as no funds have been designated by the Board of Directors to function as endowments.

*Interpretation of Relevant Law:* The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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

*Fair Value:* 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.

*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:

Furniture and Fixtures	3 Years
Computer Equipment	3 Years
Leasehold Improvements	Life of Lease

*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, 2015 and 2014, the Organization were determined that long-lived assets including property and equipment and website development costs were not impaired.

*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 recorded 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 and determinable and collection is probable.

The Organization also generates research revenue from the affiliates. The research revenue is a voluntarily contribution determined by each affiliate based on their individual capacity to give. Revenues from voluntary research are recognized when the promise is received.

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

*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. Pledges 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 pledges 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.

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

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 years ended June 30, 2015 and 2014, the Organization received donated services of \$2,000 and \$3,000, respectively.

*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, 2015 and 2014 amounted to \$14,406 and \$19,693, respectively.

*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.

The Organization has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of June 30, 2015 and 2014. The Organization does not expect any material changes in uncertain tax benefits within the next twelve months.

As of June 30, 2015 and 2014, the Organization is not currently under examination by any taxing authorities and is generally open for examination for three years from the date of filing.

*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.

*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.

*Reclassifications:* Certain accounts in the June 30, 2014 financial statements have been reclassified to conform to the presentation in the June 30, 2015 financial statements. These reclassifications are reflected in the accompanying statements of functional expenses and fair value measurements disclosure.

*Subsequent Events:* Management has evaluated subsequent events spanning the period from June 30, 2015 through November 11, 2015, the date the financial statements were available to be issued.

**2. Investments and Endowment:**

Investments and endowment as of June 30, 2015 and 2014 consist of the following:

	2015		
	Investments	Endowment	Total
Investments:			
Money Market Funds	\$ 709,743	\$ 112,424	\$ 822,167
Equity Securities	3,748,600	690,589	4,439,189
Corporate Bonds	1,780,990	1,253,120	3,034,110
U.S. Treasury Notes	750,743	-	750,743
Mutual Funds	890,948	-	890,948
Total	\$ 7,881,024	\$ 2,056,133	\$ 9,937,157
	2014		
	Investments	Endowment	Total
Investments:			
Money Market Funds	\$ 1,265,473	\$ 173,029	\$ 1,438,502
Equity Securities	3,727,180	706,337	4,433,517
Corporate Bonds	1,658,428	1,171,939	2,830,367
Mutual Funds	899,530	-	899,530
Total	\$ 7,550,611	\$ 2,051,305	\$ 9,601,916

For the years ended June 30, 2015 and 2014, the Organization has recorded net realized and unrealized gains on these investments in the amounts of \$25,331 and \$1,017,895, respectively, which are included in the accompanying statements of activities.

*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 and spending 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 of the Organization within prudent risk constraints.

**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. As of June 30, 2015 and 2014, the endowment is to support research for the disease scleroderma and consists of the following:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board Designated Endowment Funds	\$ 312,133	\$ -	\$ -	\$ 312,133
Donor Restricted Endowment Funds	-	201,625	1,542,375	1,744,000
Endowment, End of Year	<u>\$ 312,133</u>	<u>\$ 201,625</u>	<u>\$ 1,542,375</u>	<u>\$ 2,056,133</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board Designated Endowment Funds	\$ 282,180	\$ -	\$ -	\$ 282,180
Donor Restricted Endowment Funds	-	226,750	1,542,375	1,769,125
Endowment, End of Year	<u>\$ 282,180</u>	<u>\$ 226,750</u>	<u>\$ 1,542,375</u>	<u>\$ 2,051,305</u>

**2. Investments and Endowment (Continued):**

The change in the endowment by net asset classification for the years ended June 30, 2015 and 2014 consists of the following:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, Beginning of Year	\$ 282,180	\$ 226,750	\$ 1,542,375	\$ 2,051,305
Investment Returns:				
Net Unrealized Losses	-	(25,125)	-	(25,125)
Interest and Dividend Income	-	42,662	-	42,662
Investment Fees	-	(12,709)	-	(12,709)
Total Investment Returns	-	4,828	-	4,828
Appropriation of Endowment Assets for Donor-Designated Expenditures	29,953	(29,953)	-	-
Endowment, End of Year	\$ 312,133	\$ 201,625	\$ 1,542,375	\$ 2,056,133
	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, Beginning of Year	\$ 10,578	\$ 332,774	\$ 1,542,375	\$ 1,885,727
Investment Returns:				
Net Unrealized Gains	-	134,629	-	134,629
Interest and Dividend Income	-	43,540	-	43,540
Investment Fees	-	(12,591)	-	(12,591)
Total Investment Returns	-	165,578	-	165,578
Appropriation of Endowment Assets for Donor-Designated Expenditures	271,602	(271,602)	-	-
Endowment, End of Year	\$ 282,180	\$ 226,750	\$ 1,542,375	\$ 2,051,305

**3. Fair Value Measurements:**

Investments and endowment assets measured at fair value on a recurring basis at June 30, 2015 and 2014 were as follows:

	2015			
	Fair Value Measurements at Reporting Date Using			
	Totals	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Totals	(Level 1)	(Level 2)
Money Market Funds	\$ 822,167	\$ 822,167	\$ -	\$ -
Equity Securities:				
Technology Sector	1,184,568	1,184,568	-	-
Consumer Goods	907,541	907,541	-	-
Financial Sector	764,897	764,897	-	-
Healthcare Sector	603,978	603,978	-	-
Industrial Sector	403,467	403,467	-	-
Energy Sector	360,981	360,981	-	-
Telecommunications	177,118	177,118	-	-
Basic Materials	36,639	36,639	-	-
Total Equity Securities	4,439,189	4,439,189	-	-
Corporate Bonds	3,034,110	-	3,034,110	-
Balanced Moderate Allocation Mutual Funds	864,234	864,234	-	-
U.S. Treasury Notes	750,743	-	750,743	-
Bond Funds	26,714	26,714	-	-
Total	9,937,157	\$ 6,152,304	\$ 3,784,853	\$ -



## 3. Fair Value Measurements (Continued):

	2014			
	Fair Value Measurements at Reporting Date Using			
	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	\$ 1,438,502	\$ 1,438,502	\$ -	\$ -
Equity Securities:				
Technology Sector	1,061,449	1,061,449	-	-
Consumer Goods	875,882	875,882	-	-
Financial Sector	651,411	651,411	-	-
Healthcare Sector	578,803	578,803	-	-
Industrial Sector	505,237	505,237	-	-
Energy Sector	519,348	519,348	-	-
Telecommunications	149,237	149,237	-	-
Basic Materials	60,763	60,763	-	-
International	31,387	31,387	-	-
Total Equity Securities	4,433,517	4,433,517	-	-
Corporate Bonds	2,830,367	-	2,830,367	-
Balanced Moderate Allocation Mutual Funds	899,530	899,530	-	-
Total	\$ 9,601,916	\$ 6,771,549	\$ 2,830,367	\$ -

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.

**4. Transactions with Affiliates:**

The Organization is associated with separate 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, 2015 and 2014:

	2015	2014
Grants Passed-Through to Affiliates	\$ 430,986	\$ 429,058
Contributions Received from Affiliates	\$ 345,717	\$ 411,579
Voluntary Research Contributions Received from Affiliates	\$ 235,684	\$ 160,000

As of June 30, 2015 and 2014 the Organization had amounts due from (to) affiliates as follows:

	2015	2014
Amounts Due from Affiliates	\$ 235,654	\$ 161,176
Amounts Due to Affiliates	\$ 71,147	\$ 120,126

**5. Contributions Receivable:**

Contributions receivable as of June 30, 2015 and 2014 amounted to \$69,920 and \$478,970, respectively, and represent amounts due from one and three grantors, respectively, 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, 2015 and 2014:

	2015	2014
Furniture and Fixtures	\$ 70,690	\$ 70,690
Computer Equipment	68,345	63,755
Leasehold Improvements	8,393	8,393
Land	2,000	2,000
	<u>149,428</u>	<u>144,838</u>
Less: Accumulated Depreciation	140,670	132,232
	<u>\$ 8,758</u>	<u>\$ 12,606</u>

Depreciation expense amounted to \$8,438 and \$12,334 for the years ended June 30, 2015 and 2014, respectively.

**7. Website Development Costs:**

As of June 30, 2015 and 2014, capitalized website development costs consist of the following:

	2015	2014
Website Development Costs	\$ 80,730	\$ 80,730
Less: Accumulated Amortization	47,093	30,947
	<u>\$ 33,637</u>	<u>\$ 49,783</u>

**7. Website Development Costs (Continued):**

Amortization expense amounted to \$16,146 and \$16,147 for the years ended June 30, 2015 and 2014, respectively. Future amortization expense related to website development costs as of June 30, 2015 is as follows:

**Year Ended****June 30,**

2016	\$	16,146
2017		16,146
2018		1,345
	\$	<u>33,637</u>

**8. Grants Payable:**

The Organization provides grants to non-affiliates for research purposes. Grants payable as of June 30, 2015 are due to recipients as follows:

**Year Ended****June 30,**

2016	\$	1,279,611
2017		664,806
2018		100,000
	\$	<u>2,044,417</u>

**9. Temporarily Restricted Net Assets:**

As of June 30, 2015 and 2014, temporarily restricted net assets consist of funds restricted by donors for the following purposes:

	<u>2015</u>	<u>2014</u>
Research	\$ 500,000	\$ 226,750
Educational Seminars	50,000	40,850
Scholarships	27,295	42,889
	<u>\$ 577,295</u>	<u>\$ 310,489</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, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Research	\$ 1,206,190	\$ 1,005,975
Scholarships	68,594	50,180
Educational Seminars	41,625	93,420
	<u>\$ 1,316,409</u>	<u>\$ 1,149,575</u>

**11. Permanently Restricted Net Assets:**

Permanently restricted net assets totaling \$1,542,375 as of June 30, 2015 and 2014, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Gross Special Events Revenue	\$ 1,093,729	\$ 1,073,439
Less: Direct Event Expenses	(272,304)	(248,994)
	<u>\$ 821,425</u>	<u>\$ 824,445</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 monthly rental payments in the amount of \$7,726 through April 2017, \$7,957 through April 2018 and \$8,187 through April 2020. Certain chapters of the Organization are party to operating leases on a month-to-month basis. Rent expense incurred by the Organization under these lease agreements amounted to \$127,709 and \$122,282 for the years ended June 30, 2015 and 2014, 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 \$19,663 and \$12,276 for the years ended June 30, 2015 and 2014, respectively.

Future minimum rental payments due under these noncancelable lease agreements as of June 30, 2015 are as follows:

Year Ended	
<u>June 30,</u>	
2016	\$ 100,560
2017	101,021
2018	103,789
2019	101,702
2020	<u>82,736</u>
	<u>\$ 489,808</u>

**14. Concentrations:**

For the years ended June 30, 2015 and 2014, two and three contributors represented 47% and 43%, respectively, of total contributions and bequests. As of June 30, 2015 and 2014, one and two contributors represented 100% and 96%, 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 \$16,539 and \$12,560 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, no amounts have been accrued related to such indemnification provisions.

