Arthritis Foundation, Inc.

Financial Statements
Years Ended December 31, 2020 and 2019

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Contents

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Independent Auditor's Report

Board of Directors
Arthritis Foundation, Inc.
Atlanta, GA

Opinion

We have audited the financial statements of Arthritis Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Foundation as of December 31, 2020 and 2019, 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 Foundation 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the year ended December 31, 2020, the Foundation adopted new accounting guidance related to Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 Foundation'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 Foundation'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.

BDO USA, LLP

Raleigh, NC
September 9, 2021

Financial Statements

Arthritis Foundation, Inc.

Statements of Financial Position

December 31,		2020		2019
Assets				
Cash and cash equivalents	$	**27,397,242**	$	10,942,872
Investments		**96,252,397**		101,381,690
Accounts and notes receivable, net		**934,946**		2,232,778
Contributions receivable, net		**11,676,884**		13,304,090
Prepaid expenses and other assets		**1,798,433**		1,993,046
Inventory		**163,698**		147,384
Beneficial interest in perpetual trusts		**49,398,245**		46,877,941
Property and equipment, net		**5,227,283**		5,493,615
Total Assets	$	**192,849,128**	$	182,373,416
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	**1,406,159**	$	2,941,546
Accrued expenses and other liabilities		**5,571,214**		6,861,813
Research awards and grants payable		**12,006,947**		9,959,435
Liabilities under split interest agreements		**7,399,326**		7,420,549
Total Liabilities		**26,383,646**		27,183,343
Net Assets				
Without donor restrictions		**47,176,952**		32,567,209
With donor restrictions		**119,288,530**		122,622,864
Total Net Assets		**166,465,482**		155,190,073
Total Liabilities and Net Assets	$	**192,849,128**	$	182,373,416

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statements of Activities

Years ended December 31,	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenues, Gains and Public Support				
Direct response marketing contributions	$ 9,389,583	$ 150	$ 9,389,733	$ 9,661,565
Corporate contributions	218,600	7,987,122	8,205,722	9,396,470
Personal contributions	1,258,777	291,902	1,550,679	3,695,581
Foundations	830,771	1,341,794	2,172,565	2,608,369
Memorials	80,153	4,360	84,513	132,999
Other gifts	81,808	37,422	119,230	221,537
Total contributions	11,859,692	9,662,750	21,522,442	25,716,521
Special events - gross income	-	9,798,252	9,798,252	23,497,840
Less direct donor benefit costs	(653,972)	-	(653,972)	(5,164,351)
Bequests/planned giving	15,830,151	2,131,871	17,962,022	12,707,544
Total direct public support	27,035,871	21,592,873	48,628,744	56,757,554
Federated campaigns	275,067	8,073	283,140	384,047
United Way	173,552	17,425	190,977	241,017
Total indirect public support	448,619	25,498	474,117	625,064
Total public support	27,484,490	21,618,371	49,102,861	57,382,618
Government grants	5,333,261	114,418	5,447,679	153,178
Investment return for operations	1,043,507	3,419,355	4,462,862	5,714,147
Conferences, sales, other revenue, gains and (losses), net	4,800,519	431,273	5,231,792	7,841,549
Total other revenue, gains and losses	11,177,287	3,965,046	15,142,333	13,708,874
Net assets released from restrictions	36,474,577	(36,474,577)	-	-
Total Revenues, Gains and Public Support	75,136,354	(10,891,160)	64,245,194	71,091,492
Expenses				
Research	14,079,636	-	14,079,636	14,541,788
Public health education	21,669,893	-	21,669,893	31,419,823
Professional education and training	1,133,805	-	1,133,805	1,658,125
Patient and community services	10,979,824	-	10,979,824	16,436,338
Fundraising	7,179,450	-	7,179,450	10,563,003
Management and general	6,004,566	-	6,004,566	7,990,929
Total Expenses	61,047,174	-	61,047,174	82,610,006
Change in net assets from operating activities	14,089,180	(10,891,160)	3,198,020	(11,518,514)
Non-operating Income				
Net realized and unrealized gains on investments	401,023	4,601,148	5,002,171	12,081,518
Unrealized gain on beneficial interests in perpetual trusts	-	599,529	599,529	3,607,029
Realized gain on the sale of property and equipment	-	-	-	1,894,125
Change in valuation in split interest agreements		2,356,149	2,356,149	1,298,805
Net change in pension liabilities	119,540	-	119,540	144,096
Change in net assets from non-operating activities	520,563	7,556,826	8,077,389	19,025,573
Change in Net Assets	14,609,743	(3,334,334)	11,275,409	7,507,059
Net Assets, beginning of year	$ 32,567,209	$ 122,622,864	$ 155,190,073	$ 147,683,014
Net Assets, end of year	$ 47,176,952	$ 119,288,530	$ 166,465,482	$ 155,190,073

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statements of Activities

Year ended December 31,		Without Donor Restrictions		With Donor Restrictions		Total 2019
Revenues, Gains and Public Support						
Direct response marketing contributions	$	9,661,565	$	-	$	9,661,565
Corporate contributions		656,810		8,739,660		9,396,470
Personal contributions		2,647,863		1,047,718		3,695,581
Foundations		886,608		1,721,761		2,608,369
Memorials		131,869		1,130		132,999
Other gifts		164,037		57,500		221,537
Total contributions		14,148,752		11,567,769		25,716,521
Special events - gross income		21,959,498		1,538,342		23,497,840
Less direct donor benefit costs		(5,164,351)		-		(5,164,351)
Bequests/planned giving		9,131,895		3,575,649		12,707,544
Total direct public support		40,075,794		16,681,760		56,757,554
Federated campaigns		383,797		250		384,047
United Way		241,017		-		241,017
Total indirect public support		624,814		250		625,064
Total public support		40,700,608		16,682,010		57,382,618
Government grants		153,178		-		153,178
Investment return for operations		3,147,689		2,566,458		5,714,147
Conferences, sales, other revenue, gains and (losses), net		8,467,788		(626,239)		7,841,549
Total other revenue, gains and losses		11,768,655		1,940,219		13,708,874
Net assets released from restrictions		14,580,344		(14,580,344)		-
Total Revenues, Gains and Public Support		67,049,607		4,041,885		71,091,492
Expenses						
Research		(14,541,788)		-		(14,541,788)
Public health education		(31,419,823)		-		(31,419,823)
Professional education and training		(1,658,125)		-		(1,658,125)
Patient and community services		(16,436,338)		-		(16,436,338)
Fundraising		(10,563,003)		-		(10,563,003)
Management and general		(7,990,929)		-		(7,990,929)
Total Expenses		(82,610,006)		-		(82,610,006)
Change in net assets from operating activities		(15,560,399)		4,041,885		(11,518,514)
Non-operating Income						
Net realized and unrealized gains on investments		5,845,096		6,236,422		12,081,518
Unrealized (loss) gain on beneficial interests in perpetual trusts		(11,073)		3,618,102		3,607,029
Realized gain on the sale of property and equipment		1,894,125		-		1,894,125
Change in valuation in split interest agreements		-		1,298,805		1,298,805
Net change in pension liabilities		144,096		-		144,096
Change in net assets from non-operating activities		7,872,244		11,153,329		19,025,573
Change in Net Assets		(7,688,155)		15,195,214		7,507,059
Net Assets, beginning of year	$	40,255,364	$	107,427,650	$	147,683,014
Net Assets, end of year	$	32,567,209	$	122,622,864	$	155,190,073

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Functional Expenses

Year ended December 31, 2020	Program Services					Supporting Services			
	Research	Public Health Education	Professional Education and Training	Patient and Community Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Research awards and grants	$ 10,918,918	$ -	$ -	$ 76,819	$ 10,995,737	$ -	$ -	$ -	$ 10,995,737
Salaries	1,065,269	8,671,765	474,663	5,207,838	15,419,535	3,635,299	2,979,939	6,615,238	22,034,773
Payroll taxes	77,100	710,017	39,287	422,864	1,249,268	291,524	236,667	528,191	1,777,460
Employee benefits	149,240	1,685,366	94,242	1,066,249	2,995,097	676,793	536,387	1,213,179	4,208,276
Advertising commissions	-	18,559	-	-	18,559	81,638	11,133	92,771	111,330
Professional fees and contract services	511,823	1,459,456	161,624	708,309	2,841,212	816,187	1,174,250	1,990,437	4,831,649
Supplies	3,744	52,060	5,198	50,702	111,704	30,299	39,264	69,563	181,267
Printing, publications, and artwork	21,851	844,254	25,813	69,976	961,894	66,800	32,027	98,827	1,060,721
Membership/direct response marketing	418,915	4,531,098	219,931	293,241	5,463,185	809,098	251,349	1,060,447	6,523,632
Postage, shipping, and delivery	18,920	885,706	13,837	96,260	1,014,723	27,502	28,207	55,709	1,070,432
Telephone	10,860	80,953	20,019	71,122	182,954	93,016	202,906	295,922	478,876
Occupancy	145,901	1,072,513	37,095	884,441	2,139,950	299,437	143,982	443,419	2,583,369
Insurance	84,802	146,048	-	216,717	447,567	14,134	9,422	23,556	471,123
Staff travel	13,446	182,823	11,478	96,987	304,734	72,140	77,769	149,909	454,643
Meetings and conferences	23,907	88,170	1,782	152,334	266,193	23,786	12,920	36,706	302,899
Equipment lease and maintenance	68,053	131,350	12,732	183,817	395,952	63,968	144,503	208,471	604,423
Membership dues and subscriptions	21,416	76,305	2,254	47,596	147,571	23,202	16,781	39,983	187,554
Specific assistance to individuals				8,451	8,451			-	8,451
Advertising	6,440	83,530	5,103	76,683	171,756	20,509	14,017	34,526	206,282
Depreciation	234,330	403,569	-	598,845	1,236,744	39,055	26,037	65,092	1,301,836
Uncollectible receivables	192,207	352,722	6,916	402,639	954,484	54,862	42,519	97,381	1,051,865
Other	92,493	193,629	1,831	247,935	535,888	40,202	24,487	64,689	600,577
Total Expenses	$ 14,079,636	$ 21,669,893	$ 1,133,805	$ 10,979,824	$ 47,863,158	$ 7,179,450	$ 6,004,566	$ 13,184,016	$ 61,047,174

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Functional Expenses

Year ended December 31, 2019	Research	Public Health Education	Professional Education and Training	Patient and Community Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
	Program Services					Supporting Services			
Research awards and grants	$ 10,640,789	$ 13,558	$ 420	$ 46,373	$ 10,701,140	$ 3,150	$ 1,470	$ 4,620	$ 10,705,760
Salaries	1,412,820	12,026,791	640,522	7,078,740	21,158,873	5,016,140	3,777,094	8,793,234	29,952,107
Payroll taxes	90,400	926,951	49,196	543,693	1,610,240	375,485	280,898	656,383	2,266,623
Employee benefits	203,408	1,987,250	110,765	1,336,600	3,638,023	808,343	585,740	1,394,083	5,032,106
Advertising commissions	-	44,666	-	4,600	49,266	176,245	24,035	200,280	249,546
Professional fees and contract services	580,177	2,738,513	211,595	1,122,321	4,652,606	1,266,119	1,617,271	2,883,390	7,535,996
Supplies	7,015	177,503	9,206	149,367	343,091	57,404	30,137	87,541	430,632
Printing, publications, and artwork	65,179	1,708,370	45,217	290,870	2,109,636	131,960	69,956	201,916	2,311,552
Membership/direct response marketing	504,233	5,508,725	264,723	353,931	6,631,612	1,292,814	303,507	1,596,321	8,227,933
Postage, shipping, and delivery	74,993	1,792,363	42,404	224,808	2,134,568	98,532	75,812	174,344	2,308,912
Telephone	13,781	105,622	27,608	89,118	236,129	128,272	280,574	408,846	644,975
Occupancy	149,750	1,169,269	41,168	926,991	2,287,178	330,286	158,434	488,720	2,775,898
Insurance	98,894	170,317	-	252,729	521,940	16,482	10,988	27,470	549,410
Staff travel	101,749	949,815	46,800	1,056,781	2,155,145	340,968	337,162	678,130	2,833,275
Meetings and conferences	106,395	806,635	139,196	1,571,433	2,623,659	122,847	83,269	206,116	2,829,775
Equipment lease and maintenance	92,257	194,263	17,463	259,152	563,135	90,043	192,542	282,585	845,720
Membership dues and subscriptions	23,471	61,114	2,248	80,319	167,152	39,289	25,176	64,465	231,617
Specific assistance to individuals	118	5,427	236	3,421	9,202	1,770	826	2,596	11,798
Advertising	12,934	185,661	3,824	62,199	264,618	26,235	9,415	35,650	300,268
Depreciation	175,116	301,589	-	447,519	924,224	29,186	19,457	48,643	972,867
Uncollectible receivables	3,889	136,549	1,005	20,645	162,088	129,155	59,238	188,393	350,481
Other	184,420	408,872	4,529	514,728	1,112,549	82,278	47,928	130,206	1,242,755
Total Expenses	$ 14,541,788	$ 31,419,823	$ 1,658,125	$ 16,436,338	$ 64,056,074	$ 10,563,003	$ 7,990,929	$ 18,553,932	$ 82,610,006

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statements of Cash Flows

Years ended December 31,	**2020**	2019
Cash flows from operating activities:		
Change in net assets	**$ 11,275,409**	$ 7,507,059
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	**1,301,836**	972,867
Gain on sale of property and equipment	**-**	(1,894,125)
Net realized and unrealized losses (gains) on investments	**5,002,171**	(15,688,547)
Net change in valuation of investments	**(2,356,149)**	(1,298,805)
Change in operating assets and liabilities:		
Accounts and notes receivable	**1,297,832**	(461,936)
Contributions receivable	**1,627,206**	4,283,330
Prepaid expenses and other assets	**194,613**	258,273
Inventory	**(16,314)**	(81,545)
Beneficial interests in perpetual trusts	**(164,155)**	39,373
Accounts payable	**(1,535,387)**	1,590,266
Accrued expenses and other liabilities	**(1,290,599)**	(2,389,445)
Research awards and grants payable	**2,047,512**	59,945
Liabilities under split interest agreements	**(21,223)**	(192,879)
Proceeds from Paycheck Protection Program Loan ("PPP")	**5,315,400**	-
PPP loan forgiveness	**(5,315,400)**	-
Net cash provided by (used in) operating activities	**17,362,752**	(7,296,169)
Cash flows from investing activities:		
Purchase of property and equipment	**(1,035,504)**	(1,778,323)
Net proceeds from sale of property and equipment	**-**	2,062,205
Purchase of investments	**(25,002,602)**	(22,825,554)
Proceeds from sale of investments	**25,129,724**	22,853,965
Net cash provided by (used in) investing activities	**(908,382)**	312,293
Net decrease in cash and cash equivalents	**16,454,370**	(6,983,876)
Cash and cash equivalents, beginning of year	**10,942,872**	17,926,748
Cash and cash equivalents, end of year	**$ 27,397,242**	$ 10,942,872

See the accompanying notes to the financial statements.

1. Description of Organization

The Arthritis Foundation, Inc. (the "Foundation") is a voluntary health agency seeking to improve lives through leadership in the prevention, control and cure of arthritis and arthritis-related diseases. Major funding sources are from direct public contributions and bequests. The Foundation provides public health education and community service programs along with supporting arthritis-related research and influencing public policy regarding research funding, access to care and government funding of arthritis-related public health programs. The Arthritis Foundation operates under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

The Foundation classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations.
>
> *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donor and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor-imposed restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Foundation reports contributions restricted by donors (that were conditional in nature) as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Operating results in the statements of activities reflect all transactions increasing and decreasing net assets except those that the Foundation defines as non-operating. Non-operating includes all investment returns in excess of those classified as operating by the spending policy, unrealized gains and losses from operating accounts, unrealized gains and losses on beneficial interests in perpetual trusts, changes in valuation of split interest agreements, and net changes in pension liabilities.

Concentrations of Risk

Financial instruments which potentially subject the Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents and marketable securities held at creditworthy financial institutions. At December 31, 2020 and 2019, the Foundation's uninsured cash balance totaled $14,618,481 and $7,135,102, respectively. Cash and cash equivalents are maintained at large multi-state financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. The Foundation has not experienced any losses in such accounts. The Foundation's marketable securities do not represent significant concentrations of market risk as the marketable securities portfolio is diversified among a variety of issuers.

Investment securities and real estate held as investments that are not publicly traded are exposed to several risks, such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such change could materially affect the amounts reported in the Foundation's statement of financial position and statement of activities.

Cash and Cash Equivalents

The Foundation's cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the fair value at the date the gift is received. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on cost (cost of securities if purchased or the fair market value at the date of gift if received by donation). Dividend and interest income are recorded on the accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the statement of activities. Investment return is presented net of investment fees.

Accounts Receivable

Accounts receivables consist of transactions arising from contracts with customers, primarily related to advertising receivables and sales and service fees, and are recorded at the amount expected to ultimately be collected, net of an allowance for doubtful accounts when deemed necessary. Management regularly assesses collectability and determines write offs as necessary. Amounts are considered past due if they are not received within one year after the expected payment date.

Contributions Receivable

Contributions, including unconditional promises to give, are recorded at the date of gift. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable in amount. Long-term promises to give are initially recorded at fair value using the income approach using discount rates commensurate with the risk involved at the date of donation. An allowance for doubtful accounts on outstanding contributions receivable balances is recorded when deemed necessary based upon historical trends, current market risk assessments and specific donor considerations. Receivables are written off when management believes they will not be collected. Amounts are considered past due if they are not received within one year after the expected payment date.

Conditional promises to give are not recognized in the Statements of Activities until the conditions are substantially met.

Inventory

Inventory consists of educational and campaign materials which are stated at lower of cost or market. Cost is determined by the weighted average method.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed when incurred; significant renewals and betterments are capitalized. Estimated useful lives are ten to thirty years for buildings and improvements, the lesser of the lease term or three to ten years for leasehold improvements and three to five years for furniture and other equipment.

Impairment of Long-Lived Assets

The Foundation reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value. There were no long-lived assets that were impaired during the years ended December 31, 2020 and 2019.

Fair Value of Financial Instruments

The carrying amounts of cash and accounts receivable, which qualify as financial assets and accounts payable, and accrued expenses, which qualify as financial liabilities, approximate fair value due to the relative terms of these financial instruments.

The carrying values, which approximate fair value, of investments, beneficial interests in trusts, and investments in remainder interest trusts are determined as described in Note 5.

The carrying amounts of accrued expenses and other liabilities and contributions receivable approximate fair value since these instruments are recorded at net present value.

Research Awards and Grants Payable

The Foundation reports awards made to other organizations prior to the effective date of ASU 2018-08 (July 1, 2018) that were considered to be unconditional in nature as "research grants payable" in the statements of financial position. As payments are made to the recipients of those grants, the grants payable balance is reduced. Awards made to other organizations that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to other organizations for which conditions have not yet been satisfied are classified as "third party advances" in the statements of financial position. As the conditions are satisfied, expenses are recorded in the consolidated statement of activities and the third-party advances are reduced. There were no third-party advances balance as of December 31, 2020 for ongoing awards as well as for any new awards to other organizations made during 2020.

Refundable Advances

A transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as a refundable advance in accrued expenses and other liabilities in the accompanying statement of financial position until the conditions have been substantially met or explicitly waived by the donor or grantor. At December 31, 2020 and 2019, $0 is recorded as a refundable advance.

Functional Allocation

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The Foundation uses a weighted-average methodology to allocate occupancy, interest, insurance and depreciation cost. Salaries are allocated on the basis of time and effort.

The Foundation's significant revenue recognition policies are outlined below.

Contracts with Customers Accounted for in Accordance with ASU 2014-09, Revenue from Contracts with Customers ("ASC 606")

The Foundation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, then the Foundation combines it with other performance obligations until a distinct bundle of goods or services exists. For the following items, disaggregated by type, performance obligations are satisfied over time and the related revenue is recognized as services are rendered.

Ease of Use

The Ease of Use Commendation Program encourages manufacturers to design user-friendly products and packaging that are easy to use by people with functional limitations such as those with arthritis. Agreements between the company and the Arthritis Foundation for use of the seal are normally three-year agreements. These agreements are classified as an exchange transaction and the fees are recognized as earned. Total revenue recognized for the year ended December 31, 2020, related to Ease of Use contracts was $680,834 and is included in Conferences, sales, other revenue, gains and (losses).

Revenue Accounted for in Accordance with ASC 605 Topic 958: Not-For-Profit Entities

The Foundation's other revenue streams are outside of the scope of ASC 606, and thus are accounted for under ASC 605 Topic 958. For the following items, disaggregated by type, revenue is recognized depending on whether the transactions are considered conditional or unconditional gifts or promises to give at the time that the gift or promise is made.

Government Grants and Contracts

Grants awarded by federal agencies or passed through to the Foundation from another donor that received funding from the U.S. federal government are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes, and thus are treated as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. U.S. Federal Grant revenue totaled $5,447,679 for the year ended December 31, 2020 and $153,178 for the year ended December 31, 2019.

Contributions Revenue

The Foundation receives support from individuals, foundations, and corporations, in support of the Foundation's mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Foundation receives promises to give that have certain conditions such as meeting specific performance-related barriers or limit the discretion on the Foundation's use of the funds. Other contributions may have revocable features to the promise to give. Conditional promises to give are recognized when the conditions are substantially met.

Special Events and Direct Mail

Special Events and Direct Mail revenue are recognized as revenue in the period received or upon receipt of an unconditional promise to give; conditional promises to give are not recognized until the required conditions have been substantially met. Some Special Event contracts have elements of both promises to give and performance obligations. Management evaluates all such contracts to determine the amount of value to allocate to the performance obligations for further accounting under ASC 606 Revenue from Contracts with Customers. At December 31, 2020 and 2019, the Foundation assessed such elements as immaterial to the overall gift value.

Contributed Goods and In-Kind Services

Contributed goods and services are reflected as both contribution revenue and expenses in the accompanying statement of activities at their estimated fair value at date of receipt. Existing contributed goods and gifts of property and equipment are reflected as support without donor restrictions unless explicit donor stipulations specify how the donated goods must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation receives services from a large number of volunteers who give significant amounts of their time to the Foundation's programs, fundraising campaigns and management. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally, such services include research grant application reviews, advertising, consulting, and printing services and other services that meet the criteria for recognition as contributed services. No amounts were recorded as revenue and expense for donated services and assets for the years ended December 31, 2020 and 2019.

Split Interest Agreements

The Foundation's split interest agreements are recorded as follows:

Charitable Gift Annuities and Other Split Interest Agreements under which the Foundation is the Trustee – Such amounts are valued at the date of donation using the income method and discount rates commensurate with the risks involved. Discount rates range from three to ten percent. Charitable gift annuities are amortized over their life although changes may be made based on a change in the life expectancy of the donor. Gift annuity assets are included in investments and amounts due to the donor are included in liabilities under split interest agreements.

Beneficial Interests in Perpetual Trusts - The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights or claims to such assets including the right to income therefrom. Under the perpetual trust arrangement, the Foundation has recorded the asset and recognized permanently restricted contribution revenue at the fair value of its beneficial interest in the trust assets. Distributions received on the trust assets are recorded as investment income in the statement of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as net unrealized gains or losses on beneficial interest in perpetual trusts in the net asset with donor restrictions class.

Income Taxes

The Foundation is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. With respect to any unrelated business income generated by the Foundation, it records income taxes using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. As of December 31, 2020, and 2019, the Foundation had no deferred tax assets or liabilities or any uncertain tax positions.

Use of Estimates

Management of the Foundation has made a number of 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 GAAP. Actual results could differ from these estimates.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the Federal Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The amendments in ASU 2016-02 created FASB ASC Topic 842, Leases, and superseded the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. On April 8, 2020, the FASB voted to defer the effective date of ASU 2016-02 by one additional year, The ASU is now effective for the Foundations' fiscal year ended December 31, 2022. The Foundation has not yet determined the impact of the new standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets ("*ASU 2020-07*"),* to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Foundation is evaluating the effect that ASU No. 2020-07 will have on its financial statements and related disclosures.

Recently Adopted Authoritative Guidance

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminated, adds, and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. This standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

Change in Accounting Principle

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted this update, along with all subsequent amendments (collectively, "ASC 606") in the current year under the modified retrospective method. Additionally, the Foundation applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Foundation's adoption of ASC 606 is outlined below.

Certain revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction, such as promises to give and income from split interest arrangements such as bequest and trusts.

Some arrangements and contracts can have elements of both a contribution and ASC 606, and the Foundation reviews those arrangements to determine if the ASC 606 portion is material upon contract execution. Such contracts typically include sponsorship arrangements for the Foundation's special events, such as the provision of vendor booth space. At December 31, 2020, the Foundation has evaluated all such arrangements and determined that such performance obligations are immaterial individually and in the aggregate.

The Foundation also reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606. As a result, the Foundation determined that Ease of Use, the *Arthritis Today* magazine, and service contracts all are subject to the provisions of ASC 606. However, there were no material changes in the Foundation's pattern of recognition for these arrangements as further described above.

3. Liquidity and Availability of Resources

As of December 31, 2020, financial assets available within one year for general expenditures are as follows:

	Financial Assets		
	Available	Unavailable	Total
Financial assets			
Cash and cash equivalents	**$ 26,330,611**	**$ 1,066,631**	**$ 27,397,242**
Investments	**33,006,277**	**63,246,120**	**96,252,397**
Accounts receivable, net	**934,946**	**-**	**934,946**
Contributions receivable, net	**6,268,163**	**5,408,721**	**11,676,884**
Beneficial interest in perpetual trusts	**-**	**49,398,245**	**49,398,245**
Line of credit	**14,000,000**	**-**	**14,000,000**
Endowment spend appropriations	**1,948,215**	**-**	**1,948,215**
Financial assets available/unavailable to meet cash needs for general expenditures within one year	**$ 82,488,212**	**$ 119,119,717**	**$ 201,607,929**

As of December 31, 2019, financial assets available within one year for general expenditures were as follows:

	Financial Assets		
	Available	Unavailable	Total
Financial assets			
Cash and cash equivalents	$ 10,057,712	$ 885,160	$ 10,942,872
Investments	39,936,403	61,445,287	101,381,690
Accounts receivable, net	2,232,778	-	2,232,778
Contributions receivable, net	10,898,297	2,405,793	13,304,090
Beneficial interest in perpetual trusts	-	46,877,941	46,877,941
Endowment spend appropriations	1,852,805	-	1,852,805
Financial assets available/unavailable to meet cash needs for general expenditures within one year	$ 64,977,995	$ 111,614,181	$ 176,592,176

The Foundations' financial assets have been reduced by amounts not available for general use due to donor-imposed restrictions within one year of the balance sheet date, and amounts set aside for long-term investing in endowment funds.

The Foundation's endowment consists of donor-restricted endowment funds as well as funds specified by donors as restricted for research and specific programs. Therefore, these funds are not available for general expenditures. As described in Note 6, without specific Board action the endowment funds have a spending rate of 4.25 percent. As of December 31, 2020, and 2019, approximately $1,948,000 and $1,853,000 respectively, of appropriations from the endowment fund were available for expenditures within the 12 months following each fiscal year end.

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements are invested in short-term investments and money market funds.

4. Investments

Investments at fair value were as follows at:

December 31,	**2020**	2019
Marketable securities		
Investment accounts		
Common stock	**$ -**	$ 106
Domestic equity mutual funds	**26,308,103**	33,661,371
Fixed income mutual funds	**27,735,417**	27,483,360
International equity mutual funds	**21,013,780**	20,437,207
Balanced mutual funds	**39,068**	34,212
Preferred stock	**1,000**	1,000
Alternative investments	**1,063,353**	837,152
Private investments	**786,306**	281,118
Hedge funds	**3,172,870**	3,310,413
Other commodities	**2,431,651**	2,480,263
Other - principally money market and other mutual funds	**388,801**	326,238
Total marketable securities	**82,940,349**	88,852,440
Split interest agreements		
Real estate funds	**111,052**	761,496
Corporate notes and bonds	**-**	61,115
Domestic equity mutual funds	**5,691,966**	4,661,567
Fixed income mutual funds	**4,442,748**	4,348,840
International equity mutual funds	**3,066,282**	2,696,232
Total split interest agreements	**13,312,048**	12,529,250
Total investments	**$ 96,252,397**	$ 101,381,690

At December 31, 2020, the Foundation's operating investments of $32,158,081 were secured as collateral for the J.P. Morgan line of credit. See Note 15.

5. Fair Value Measurements

The Foundation applies ASC 820, *Fair Value Measurement*, for fair value measurements of financial and nonfinancial assets and financial liabilities. The Foundation's estimates of fair value for financial assets and liabilities are based on the framework established in ASC 820, which considers the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs relative to the valuation observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority is given to unobservable inputs that reflect The Foundation's significant market assumptions. The three level of the hierarchy are further described as follows:

Level I - Quoted prices for identical instruments in active markets. This category includes domestic and international debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level II - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means. This category includes certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities that are valued based on market prices for similar and actively traded investments. This category also includes alternative investments that are valued at net asset value ("NAV") per share for which the Foundation has the ability to redeem its investment at the measurement date.

Level III - Inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Foundation's assumptions based on the best information available in the circumstances. This category includes split interest agreements and beneficial trusts for which the Foundation is not the trustee. The trusts are valued based on the values of the underlying investments in the trust which are established by the trustee using valuation methods that are appropriate for the investments in the trusts.

The following table summarizes the Foundation's investments, split interest agreements and beneficial interests in perpetual trusts by the above hierarchy levels as of December 31:

	2020			
	Level I	**Level II**	**Level III**	**Total**
Marketable securities				
Domestic equity mutual funds	**$ 32,000,069**	**$ -**	**$ -**	**$ 32,000,070**
Fixed income mutual funds	**32,178,165**	**-**	**-**	**32,178,164**
International equity mutual funds	**24,080,062**	**-**	**-**	**24,080,062**
Balanced mutual funds	**39,068**	**-**	**-**	**39,068**
Preferred stock	**1,000**	**-**	**-**	**1,000**
Alternative investments	**1,063,353**	**-**	**-**	**1,063,353**
Private investments	**-**	**-**	**786,306**	**786,306**
Hedge funds	**3,172,870**	**-**	**-**	**3,172,870**
Real estate funds	**111,052**	**-**	**-**	**111,052**
Other commodities	**2,431,521**	**-**	**130**	**2,431,651**
Other - principally money market and other mutual funds	**388,801**			**388,801**
Total marketable securities	**95,465,961**	**-**	**786,436**	**96,252,397**
Beneficial interests in perpetual trusts	**-**	**-**	**49,398,245**	**49,398,245**
Total	**$ 95,465,961**	**$ -**	**$ 50,184,681**	**$ 145,650,642**

	2019			
	Level I	**Level II**	**Level III**	**Total**
Marketable securities				
Common stocks	$ 106	$ -	$ -	$ 106
Domestic equity mutual funds	38,322,938	-	-	38,322,938
Fixed income mutual funds	31,832,200	-	-	31,832,200
International equity mutual funds	23,133,439	-	-	23,133,439
Balanced mutual funds	34,212	-	-	34,212
Preferred stock	1,000	-	-	1,000
Alternative investments	837,152	-	-	837,152
Private investments	-	-	281,118	281,118
Hedge funds	3,310,413	-	-	3,310,413
Real estate funds	761,496	-	-	761,496
Corporate notes and bonds	61,115	-	-	61,115
Other commodities	2,480,263	-	130	2,480,393
International common stock	-	-	-	-
Other - principally money market and other mutual funds	326,108	-	-	326,108
Total marketable securities	101,100,442	-	281,248	101,381,690
Beneficial interests in perpetual trusts	-	-	46,877,941	46,877,941
Total	$ 101,100,442	$ -	$ 47,159,189	$ 148,259,631

The following table summarizes the Foundation's Level III reconciliation for the beneficial interests in perpetual trusts:

Years ended December 31,	**2020**	2019
Beginning balance	**$46,877,941**	$43,310,285
Decrease in beneficial interest in perpetual trust	**(26,847)**	(39,373)
Net unrealized gains	**2,547,151**	3,607,029
Ending balance	**$49,398,245**	$46,877,941

With respect to valuation methodologies at December 31, 2020 and 2019, to the extent that the Foundation directly owns and controls the investment valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access. For other investments, predominately "alternative investments" (including private equity, alternative hedge strategies and real assets), the Foundation utilizes the net asset value ("NAV") reported by each of the alternative funds and external investment managers as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Foundation's interest in the funds.

6. Endowment Funds

The Foundation's endowment consists of a number of individual funds established for research, specific programs and operations. The Foundation understands the law as requiring 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. The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds in excess of the original fair value are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

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

1. The duration and preservation of the fund
2. The purpose of the Foundation or the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policy of the Foundation

If the market value of any fund classified as net assets with donor restrictions at year-end is below the amount determined to be permanently restricted, the deficit, which cannot be funded from restricted unspent earnings of the fund, is reported as a reduction in net assets with donor restrictions. There were no such deficiencies for the years ended December 31, 2020 and 2019.

The primary long-term financial objective for the Foundation's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three and five years. The endowments shall be managed to optimize the long run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Foundation's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

Foundation policy requires endowment assets to be governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Foundation's programs. The endowment base is defined as a three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). Without specific Board action to either increase or decrease the payout rate, the Foundation's annual investment income payout distribution is calculated at a rate of four percent of the rolling three year average fair market value of the investments plus amounts paid for share on investment income. The policy allows for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowment.

In addition, the policy minimizes the probability of invading the principal over the long-term. Spending in a given year reduces the unit value of each endowment element by the payout percentage. In no case are funds designated as true endowment reduced below their initial unit value. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

The endowment is divided into three broad asset classes: equity fund, fixed income fund and cash or near-cash fund. The purpose of dividing the endowment fund in this way is to ensure that the optimal long-term return is achieved given the Foundation's risk preference. The endowment is diversified both by asset class (equity, fixed income and cash) and within asset class (large capitalization stocks, small capitalization stocks, U.S. Treasury bonds, corporate bonds, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities has a disproportionate impact on the total endowment and to reduce the overall risk and volatility of the entire portfolio. The total endowment is monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation with respect to target percentages. There were no endowment net assets without donor restrictions for the years ended December 31, 2020 and 2019.

The composition of and changes to donor restricted endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	$ 43,145,238	$ 43,145,238
Investment return income	1,000,795	1,000,795
Net appreciation (realized and unrealized)	6,622,810	6,622,810
Total investment additions	7,623,605	7,623,605
Appropriation of endowment assets for expenditure	(1,852,805)	(1,852,805)
Endowment net assets, December 31, 2019	$ 48,916,038	$ 48,916,038
Investment return income	**819,690**	819,690
Net appreciation (realized and unrealized)	**4,703,430**	4,703,430
Total investment additions	**5,523,120**	5,523,120
Appropriation of endowment assets for expenditure	**(1,948,215)**	(1,948,215)
Endowment net assets, December 31, 2020	**$ 52,490,943**	$ 52,490,943

7. Contributions Receivable

The Foundation had the following contributions receivable at:

December 31,	**2020**	2019
Amounts due in:		
Less than one year	**$ 11,084,231**	$ 11,814,137
One to five years	**743,120**	2,418,000
More than five years	-	55,000
Gross contributions receivable	**11,827,351**	14,287,137
Allowance for doubtful accounts	**(122,931)**	(854,421)
Unamortized present value discount	**(27,536)**	(128,626)
Contributions receivable, net	**$ 11,676,884**	$ 13,304,090

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risks involved (1% to 9%).

8. Split Interest Agreements and Beneficial Interests in Perpetual Trusts

The Foundation had the following interests at:

December 31,	**2020**	2019
Split interest agreements (the Foundation is the trustee)		
Charitable remainder trusts (“CRTs”)	**$ 3,603,090**	$ 3,342,407
Gift annuity fund	**9,269,886**	8,826,049
Pooled income fund	**587,777**	542,008
Split interest agreements (included in cash and investments)	**13,460,755**	12,710,464
CRTs (the Foundation is not the trustee)	**5,928,668**	5,609,703
Other perpetual trusts (the Foundation is not the trustee)	**43,469,577**	41,268,238
Total	**$ 62,859,000**	$ 59,588,405

These assets are reported on the statement of financial position and are valued at estimated fair value. Liabilities under split interest agreements for which the Foundation is the trustee were $7,399,326 and $7,420,549 at December 31, 2020 and 2019, respectively, and were valued at the date of donation using the income approach at discount rates commensurate with the risk involved (between three and 10%). They are being amortized over the terms of the obligations.

Adjustments are made to the value of the split interest agreements when there are changes in the life expectancy of the donor.

9. Property and Equipment

Property and equipment consisted of the following at:

December 31,	**2020**	2019
Land	**$ 509,000**	$ 509,000
Buildings and improvements	**2,329,727**	2,369,061
Leasehold improvements	**2,570,704**	2,618,960
Furniture and other equipment	**5,469,646**	5,848,040
Total property and equipment	**10,879,077**	11,345,061
Accumulated depreciation	**(5,651,794)**	(5,851,446)
Property and equipment, net	**$ 5,227,283**	$ 5,493,615

Depreciation expense was $1,301,836 and $972,867 for the years ended December 31, 2020 and 2019, respectively.

In June 2019, the Foundation sold its office building in Denver, CO for $2,245,200, with net proceeds being $2,023,309 after closing costs. The book value of the asset was $351,076, resulting in a gain on the sale of $1,894,125. The Foundation also had other immaterial sales during the year ended December 31, 2020. The Foundation is currently evaluating its remaining real properties with a cost of $3,160,740 and book value of $1,632,610 for potential sale in the future.

10. Joint Costs

In 2020 and 2019, the Foundation incurred joint costs of $4,920,153 and $6,247,489, respectively, for informational materials and activities that included fundraising appeals, such as the Foundation's direct mail. Joint costs were allocated as follows:

December 31,	**2020**	2019
Public health education	**$ 3,542,510**	$ 4,498,192
Fundraising	**1,377,643**	1,749,297
Total joint costs	**$ 4,920,153**	$ 6,247,489

11. Net Assets – With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at:

December 31,	**2020**	2019
Purpose restricted:		
Education	**$ 1,080,858**	$ 1,937,230
Operations	**8,149,782**	10,675,899
Scholarship	**408,243**	562,753
Programs/trainings	**8,018,573**	10,393,823
Research	**17,561,678**	12,914,168
Time restricted	**3,833,338**	8,014,575
Net assets with donor restrictions subject to expenditure for specified purpose and passage of time	**$ 39,052,471**	$ 44,498,448

Net assets with donor restrictions consisted of the following with the investment income to be used for:

December 31,	**2020**	2019
Research	**$ 9,856,632**	$ 9,856,632
Operations	**26,191,762**	26,191,762
Scholarship	**1,457,400**	1,457,400
Programs	**1,659,476**	1,659,476
Beneficial interests in perpetual trusts	**41,070,789**	38,959,146
Net assets with donor restrictions to be held in perpetuity	**$ 80,236,059**	$ 78,124,416

Net assets with donor restrictions released from restrictions consisted of the following:

Year ended December 31,	**2020**	2019
Programs, scholarships, training and projects	**$ 12,320,116**	$ 4,746,808
Research	**4,115,972**	4,887,682
Time releases	**20,038,489**	4,945,854
Total net assets with donor restrictions released from restrictions	**$ 36,474,577**	$ 14,580,344

12. Operating Leases

Rental expense for Foundation office space was $2,453,892 and $2,589,010 for the years ended December 31, 2020 and 2019, respectively. Lease agreements having an original term of more than one year expire on various dates through 2026.

Total future minimum lease payments were as follows at December 31, 2020:

Years ending December 31,	**Amount**
2021	**$2,223,816**
2022	**1,595,656**
2023	**1,134,485**
2024	**1,019,379**
2025	**951,447**
Thereafter	**1,595,552**
Total future minimum lease payments	**$8,520,335**

13. Employee Benefit Plans

Employee Contribution Plans

Defined Contribution Plans - The Foundation sponsors various defined contribution retirement plans (the "defined contribution plans") covering substantially all of the employees of the Foundation. Participants may contribute a percentage of their compensation on a pretax basis. The Foundation matches a portion of the participants' compensation. Vesting policies are based on the specific defined contribution plan operated either at the National Office or the chartered entity. Total contributions to the defined contribution plans for the years ended December 31, 2020 and 2019 were $921,463 and $1,220,514, respectively.

Deferred Compensation Plan - The Foundation also maintains a 457(b) nonqualified deferred compensation plan that permits a select group of executive level employees to set aside a portion of salary on a before-tax basis. In addition to voluntary elective deferrals, the Foundation makes non- elective contributions to the plan. At the discretion of the Foundation, participants are allowed to allocate plan contributions and designate beneficiaries. The Foundation's contributions totaled approximately $41,646 and $56,700 for the year ended December 31, 2020 and 2019, respectively. All assets under the plan remain part of the Foundation's general assets and are subject to the claims of its creditors. All rights to amounts held under the plan are owned by the Foundation. Therefore, the Foundation reports the assets and related liabilities of the plan in its statements of position. At December 31, 2020 and 2019, the assets and liabilities each totaled $361,621 and $340,632, respectively.

Defined Benefit Plans

The Foundation has various defined benefit pension plans (the "Plan") covering certain employees. Benefits are based on years of service and compensation. Contributions are determined in accordance with each Plan's provisions. As of December 31, 2020 and 2019, the Foundation has recorded an accrued net pension liability of $906,456 and $1,025,996, respectively, in relation to the Plan. Due to their relative size in relation to the financial statements of the Foundation, additional disclosures are not included.

14. Commitments and Contingencies

The Foundation has commitments for research awards and grants for future years. The terms of research awards and grants are from one to three years. At December 31, 2020, these commitments were as follows:

Years ending December 31,		**Amount**
2021	$	**2,155,378**
2022		**2,119,295**
Total commitments	$	**4,274,673**

The Foundation is involved in litigation arising from the normal course of business. Although the ultimate outcome of such matters cannot be predicted with certainty, management believes that the current expected outcome of any such matter will not have a material adverse effect on the

Foundation's financial condition as of December 31, 2020.

15. Line of Credit

In May 2020, the Foundation secured a revolving line of credit of $14,000,000 to assist with working capital needs. The line is collateralized by the Foundation's operating investments account. Interest payments are due monthly, calculated at the London Inter-Bank Offered Rate plus 1.2 percentage points on the outstanding balance. There were no borrowings against the line during 2020 or 2019, and no outstanding balance at December 31, 2020 or 2019. The line of credit expires on July 31, 2021.

16. Coronavirus Outbreak and CARES Act

The coronavirus pandemic ("COVID-19") has impacted the Foundation's operations since the global pandemic was declared in March 2020. In response, the Foundation took counter measures to respond to the needs of its mission. A minimal number of special events were hosted live, and others were held virtually. The Foundation is still evaluating when it will fully return to hosting live events. The Foundation also implemented a virtual work environment, with the exception of some select personnel, and implemented cost saving strategies and other measures to reduce operating expenses and preserve capital. Due to the uncertainty of the continued spread of the virus and economic outlook, there may be continued short-term and long-term implications for operations of the Foundation.

Conditional promises to give are not recognized in the Statements of Activities until the conditions are substantially met. During the year ended December 31, 2020, the Foundation received a $5,315,400 loan from the Small Business Administration ("SBA") Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that it has elected to account for as a conditional grant. Of this amount, $5,315,400 was recognized as government grant income as of December 31, 2020 as the conditions were substantially met. Conditional promises to give at December 31, 2020 and 2019 totaled $0. Subsequent to year end, the loan was forgiven in full by SBA.

17. Subsequent Events

The Foundation evaluated events subsequent to December 31, 2020 and through September 9, 2021, the date on which the financial statements were available for issuance and determined that all significant events and disclosures are included in the financial statements.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The Foundation has applied for, and received, a second conditional grant under the SBA Paycheck Protection Program in March 2021 in the amount of $2,000,000.

Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Foundation's results of future operations, financial position, and liquidity in fiscal year 2021.