



Arthritis Foundation, Inc.

Financial Statements
Years Ended December 31, 2023 and 2022

Arthritis Foundation, Inc.

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Arthritis Foundation, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7-8
Statements of Functional Expenses	9-10
Statements of Cash Flows	11
Notes to the Financial Statements	12-30



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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 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, P.C.

August 9, 2024

Financial Statements

Arthritis Foundation, Inc.

Statements of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 8,118,626	\$ 10,639,408
Investments	129,917,156	110,807,440
Accounts receivable, net	148,587	306,793
Contributions receivable, net	19,187,141	12,599,327
Prepaid expenses and other assets	2,075,905	1,581,247
Split interest agreements	63,176,829	56,721,095
Property and equipment, net	2,316,771	3,243,815
Right-of-use assets	3,587,566	4,381,212
Total Assets	\$ 228,528,581	\$ 200,280,337
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,157,710	\$ 1,337,344
Accrued expenses and other liabilities	2,330,455	2,552,632
Research awards and grants payable	17,409,723	16,500,966
Liabilities under split interest agreements	6,173,927	6,307,576
Paycheck Protection Program ("PPP") Loan	-	2,000,000
Lease liabilities	3,278,613	4,239,338
Total Liabilities	33,350,428	32,937,856
Net Assets		
Without donor restrictions	65,932,184	51,947,932
With donor restrictions	129,245,969	115,394,549
Total Net Assets	195,178,153	167,342,481
Total Liabilities and Net Assets	\$ 228,528,581	\$ 200,280,337

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Activities

Years ended December 31,	2023		Total 2023	Total 2022
	Without Donor Restrictions	With Donor Restrictions		
Revenues, Gains and Public Support				
Direct response marketing contributions	\$ 8,782,995	\$ -	\$ 8,782,995	\$ 9,432,148
Corporate contributions	210,070	5,514,303	5,724,373	4,623,913
Personal contributions	923,459	1,219,824	2,143,283	2,395,521
Foundations	398,707	1,876,202	2,274,909	1,148,027
Memorials	83,854	31,175	115,029	77,947
Other gifts	114,006	166,408	280,414	285,603
Total contributions	10,513,091	8,807,912	19,321,003	17,963,159
Special events - gross revenue	1,107	13,368,192	13,369,299	12,322,164
Less direct donor benefit costs	(60,534)	(3,634,881)	(3,695,415)	(3,256,382)
Bequests/planned giving	16,254,586	7,203,373	23,457,959	23,065,875
Total direct public support	26,708,250	25,744,596	52,452,846	50,094,816
Federated campaigns	320,668	14,104	334,772	384,467
United Way	77,059	2,475	79,534	69,269
Total indirect public support	397,727	16,579	414,306	453,736
Total public support	27,105,977	25,761,175	52,867,152	50,548,552
Government grants	5,579,365	-	5,579,365	208,166
Investment return for operations	4,324,268	2,532,300	6,856,568	7,342,258
Conferences, sales, other revenue, gains and (losses), net	1,204,783	-	1,204,783	1,503,049
Total other revenue, gains and losses	11,108,416	2,532,300	13,640,716	9,053,473
Net assets released from restrictions	28,420,257	(28,420,257)	-	-
Total Revenues, Gains and Public Support	66,634,650	(126,782)	66,507,868	59,602,025
Expenses				
Research	15,965,118	-	15,965,118	13,741,417
Public health education	20,884,488	-	20,884,488	17,747,019
Professional education and training	1,090,772	-	1,090,772	802,480
Patient and community services	10,855,167	-	10,855,167	9,802,253
Fundraising	6,961,178	-	6,961,178	6,679,205
Management and general	6,057,476	-	6,057,476	5,572,186
Total Expenses	61,814,199	-	61,814,199	54,344,560
Change in net assets from operating activities	4,820,451	(126,782)	4,693,669	5,257,465
Non-operating Income				
Net realized and unrealized gains (losses) on investments	7,722,254	5,227,510	12,949,764	(18,539,715)
Change in value of split interest agreements	-	7,000,692	7,000,692	(10,274,677)
Realized gain on the sale of property and equipment	1,441,547	1,750,000	3,191,547	78,643
Net change in pension liabilities	-	-	-	(273,133)
Change in net assets from non-operating activities	9,163,801	13,978,202	23,142,003	(29,008,882)
Change in Net Assets	13,984,252	13,851,420	27,835,672	(23,751,417)
Net Assets, beginning of year	\$ 51,947,932	\$ 115,394,549	\$ 167,342,481	\$ 191,093,898
Net Assets, end of year	\$ 65,932,184	\$ 129,245,969	\$ 195,178,153	\$ 167,342,481

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Activities

Years ended December 31,	2022		Total 2022	Total 2021
	Without Donor Restrictions	With Donor Restrictions		
Revenues, Gains and Public Support				
Direct response marketing contributions	\$ 9,432,148	\$ -	\$ 9,432,148	\$ 10,057,477
Corporate contributions	95,799	4,528,114	4,623,913	7,943,253
Personal contributions	979,546	1,415,975	2,395,521	2,065,246
Foundations	215,396	932,631	1,148,027	1,455,670
Memorials	68,772	9,175	77,947	76,338
Other gifts	114,552	171,051	285,603	185,470
Total contributions	10,906,213	7,056,946	17,963,159	21,783,454
Special events - gross revenue	5,950	12,316,214	12,322,164	11,454,260
Less direct donor benefit costs	(64,701)	(3,191,681)	(3,256,382)	(1,703,064)
Bequests/planned giving	15,334,625	7,731,250	23,065,875	20,053,422
Total direct public support	26,182,087	23,912,729	50,094,816	51,588,072
Federated campaigns	365,572	18,895	384,467	385,150
United Way	69,189	80	69,269	96,565
Total indirect public support	434,761	18,975	453,736	481,715
Total public support	26,616,848	23,931,704	50,548,552	52,069,787
Government grants	208,166	-	208,166	202,099
Investment return for operations	4,106,753	3,235,505	7,342,258	6,340,922
Conferences, sales, other revenue, gains and (losses), net	1,503,049	-	1,503,049	3,000,074
Total other revenue, gains and losses	5,817,968	3,235,505	9,053,473	9,543,095
Net assets released from restrictions	25,475,569	(25,475,569)	-	-
Total Revenues, Gains and Public Support	57,910,385	1,691,640	59,602,025	61,612,882
Expenses				
Research	13,741,417	-	13,741,417	13,705,480
Public health education	17,747,019	-	17,747,019	16,444,558
Professional education and training	802,480	-	802,480	842,726
Patient and community services	9,802,253	-	9,802,253	9,987,009
Fundraising	6,679,205	-	6,679,205	5,671,747
Management and general	5,572,186	-	5,572,186	4,825,768
Total Expenses	54,344,560	-	54,344,560	51,477,288
Change in net assets from operating activities	3,565,825	1,691,640	5,257,465	10,135,594
Non-operating Income				
Net realized and unrealized (losses) gains on investments	(10,269,512)	(8,270,203)	(18,539,715)	8,995,145
Change in value of split interest agreements	-	(10,274,677)	(10,274,677)	5,387,760
Realized gain on the sale of property and equipment	78,643	-	78,643	301,868
Net change in pension liabilities	(273,133)	-	(273,133)	(191,951)
Change in net assets from non-operating activities	(10,464,002)	(18,544,880)	(29,008,882)	14,492,822
Other Changes				
Transfers	(2,362,959)	2,362,959	-	-
Change in Net Assets	(9,261,136)	(14,490,281)	(23,751,417)	24,628,416
Net Assets, beginning of year	\$ 61,209,068	\$ 129,884,830	\$ 191,093,898	\$ 166,465,482
Net Assets, end of year	\$ 51,947,932	\$ 115,394,549	\$ 167,342,481	\$ 191,093,898

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Functional Expenses

	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
<i>Year ended December 31, 2023</i>									
Research awards and grants	\$ 12,531,526	\$ 105,658	\$ -	\$ 206,135	\$ 12,843,319	\$ -	\$ -	\$ -	\$ 12,843,319
Salaries	1,652,437	7,547,642	464,954	4,507,817	14,172,850	3,192,625	2,596,609	5,789,234	19,962,084
Payroll taxes	120,426	574,661	37,168	342,220	1,074,475	238,116	188,274	426,390	1,500,865
Employee benefits	251,814	1,654,086	102,651	1,109,794	3,118,345	651,393	562,728	1,214,121	4,332,466
Professional fees and contract services	495,801	2,757,196	245,692	1,118,079	4,616,768	1,462,585	1,836,767	3,299,352	7,916,120
Supplies	5,608	60,935	5,014	115,582	187,139	26,073	27,514	53,587	240,726
Printing, publications, and artwork	8,083	136,001	6,226	132,744	283,054	72,900	20,779	93,679	376,733
Membership/direct response marketing	105,996	5,346,321	84,797	275,590	5,812,704	931,908	524,198	1,456,106	7,268,810
Postage, shipping, and delivery	3,365	42,100	2,172	52,992	100,629	19,747	11,340	31,087	131,716
Telephone	9,968	55,883	7,127	39,399	112,377	36,228	58,071	94,299	206,676
Occupancy	109,785	245,838	2,564	350,037	708,224	37,314	21,111	58,425	766,649
Insurance	103,477	178,210	-	264,441	546,128	17,246	11,497	28,743	574,871
Staff and volunteer travel	57,224	312,201	21,163	306,788	697,376	100,076	79,576	179,652	877,028
Meetings and conferences	89,210	351,920	100,926	906,091	1,448,147	41,970	23,104	65,074	1,513,221
Equipment lease and maintenance	66,062	113,862	95	176,224	356,243	11,402	8,361	19,763	376,006
Membership dues and subscriptions	17,902	85,235	3,000	61,622	167,759	23,613	11,963	35,576	203,335
Advertising	5,628	713,615	4,165	39,563	762,971	22,345	8,690	31,035	794,006
Depreciation	214,161	368,834	-	547,301	1,130,296	35,694	23,796	59,490	1,189,786
Uncollectible receivables	13,189	26,887	563	31,549	72,188	5,433	13,465	18,898	91,086
Other	103,456	207,403	2,495	271,199	584,553	34,510	29,633	64,143	648,696
Total Expenses	\$ 15,965,118	\$ 20,884,488	\$ 1,090,772	\$ 10,855,167	\$ 48,795,545	\$ 6,961,178	\$ 6,057,476	\$ 13,018,654	\$ 61,814,199

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statement of Functional Expenses

Year ended December 31, 2022	Program Services					Supporting Services			
		Public	Professional	Patient and	Total		Management	Total	
	Research	Health Education	Education and Training	Community Services	Program Services	Fundraising	and General	Supporting Services	Total
Research awards and grants	\$ 10,725,098	\$ 48,127	\$ -	\$ 155,507	\$ 10,928,732	\$ -	\$ -	\$ -	\$ 10,928,732
Salaries	1,422,755	6,310,988	350,244	3,873,817	11,957,804	2,887,316	2,287,759	5,175,075	17,132,879
Payroll taxes	88,264	475,382	26,839	289,064	879,549	215,059	166,062	381,121	1,260,670
Employee benefits	156,990	1,218,692	73,807	810,134	2,259,623	529,368	442,812	972,180	3,231,803
Professional fees and contract services	325,590	1,837,502	202,902	1,400,867	3,766,861	1,488,518	1,680,123	3,168,641	6,935,502
Supplies	3,803	53,887	6,598	81,829	146,117	33,338	32,254	65,592	211,709
Printing, publications, and artwork	11,254	151,400	8,324	97,767	268,745	49,297	22,253	71,550	340,295
Membership/direct response marketing	6,566	5,098,786	4,763	16,093	5,126,208	998,432	561,618	1,560,050	6,686,258
Postage, shipping, and delivery	4,140	50,039	3,151	60,298	117,628	18,195	15,410	33,605	151,233
Telephone	8,323	50,863	7,184	37,015	103,385	38,107	64,701	102,808	206,193
Occupancy	107,786	517,931	15,010	473,916	1,114,643	129,287	63,676	192,963	1,307,606
Insurance	103,289	177,886	-	263,960	545,135	17,215	11,477	28,692	573,827
Staff and volunteer travel	34,093	208,621	19,587	198,690	460,991	68,021	43,371	111,392	572,383
Meetings and conferences	23,192	240,373	62,920	606,481	932,966	38,293	17,891	56,184	989,150
Equipment lease and maintenance	61,455	112,367	5,688	161,558	341,068	33,753	68,007	101,760	442,828
Membership dues and subscriptions	27,404	63,413	1,441	26,388	118,646	22,187	9,710	31,897	150,543
Advertising	21,233	315,518	12,423	61,425	410,599	27,081	29,114	56,195	466,794
Depreciation	301,409	519,091	-	770,267	1,590,767	50,235	33,490	83,725	1,674,492
Uncollectible receivables	202,027	89,601	-	132,957	424,585	8,671	5,781	14,452	439,037
Other	106,746	206,552	1,599	284,220	599,117	26,832	16,677	43,509	642,626
Total Expenses	\$ 13,741,417	\$ 17,747,019	\$ 802,480	\$ 9,802,253	\$ 42,093,169	\$ 6,679,205	\$ 5,572,186	\$ 12,251,391	\$ 54,344,560

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Statements of Cash Flows

Years ended December 31,	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 27,835,672	\$ (23,751,417)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	1,189,787	1,674,492
Non-cash lease expense	(167,080)	(141,874)
Gain on sale of property and equipment	(3,191,547)	(78,643)
Net realized and unrealized (gains) losses on investments	(12,949,764)	18,539,715
Net change in valuation of split interest agreements	7,000,692	10,274,677
Change in operating assets and liabilities		
Accounts receivable	158,206	(7,502)
Contributions receivable	(6,587,814)	(1,141,142)
Prepaid expenses and other assets	(494,658)	289,651
Split interest assets and liabilities	(12,515,169)	908,717
Accounts payable	2,820,366	(501,565)
Accrued expenses and other liabilities	(222,177)	(597,754)
Paycheck Protection Program ("PPP") Loan forgiveness	(2,000,000)	-
Research awards and grants payable	908,758	1,950,808
Net cash provided by operating activities	1,785,272	7,418,163
Cash flows from investing activities		
Purchase of property and equipment	(1,300,316)	(751,300)
Net proceeds from sale of property and equipment	4,229,120	111,135
Purchase of investments	(68,440,124)	(35,779,222)
Proceeds from sale of investments	62,280,172	11,447,510
Net cash used in investing activities	(3,231,148)	(24,971,877)
Cash flows from financing activities		
Payments on split interest agreements	(1,074,906)	(1,244,501)
Net cash used in financing activities	(1,074,906)	(1,244,501)
Net decrease in cash and cash equivalents	(2,520,782)	(18,798,215)
Cash and cash equivalents, beginning of year	10,639,408	29,437,623
Cash and cash equivalents, end of year	\$ 8,118,626	\$ 10,639,408
Without Restrictions	\$ 7,143,449	\$ 9,820,098
With Restrictions	975,177	819,310
Cash and cash equivalents, end of year	\$ 8,118,626	\$ 10,639,408

See the accompanying notes to the financial statements.

Arthritis Foundation, Inc.

Notes to Financial Statements

1. Description of Organization

The Arthritis Foundation, Inc. (the “Foundation”) is a voluntary health organization 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 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 donors 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 as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Arthritis Foundation, Inc.

Notes to Financial Statements

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 investments, changes in valuation of split interest agreements, realized gain on the sale of property and equipment 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, 2023 and 2022, the Foundation's uninsured cash balance totaled \$4,497,976 and \$6,891,740, 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 statements of financial position and statements of activities.

Cash and Cash Equivalents

The Foundation's cash and 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. In the case of certain less marketable securities, fair value is established by using net asset value ("NAV") of each investment fund as provided by the investment fund manager. 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 statements of activities. Investment return is presented net of investment fees.

Accounts Receivable

Accounts receivable consist of transactions arising from contracts with customers, primarily related to sales and service fees and are recorded at the amount expected to ultimately be collected, net of any expected credit losses. 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.

Arthritis Foundation, Inc.

Notes to Financial Statements

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 applying 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.

Split Interest Agreements

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 split interest agreements and amounts due to the donor are included in liabilities under split interest agreements.

Charitable Gift Annuities and Other Split Interest Agreements under which the Foundation is not the Trustee - 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 arrangements, the Foundation has recorded the assets and recognized donor 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 statements of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as change in value of split interest agreements with donor restrictions in the statements of activities.

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 term of the lease including options to renew that are expected to be exercised for leasehold improvements, and three to five years for furniture and other equipment.

Arthritis Foundation, Inc.

Notes to Financial Statements

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, 2023 and 2022.

Fair Value of Financial Instruments

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

The carrying values, which approximate fair values of investments and split interest agreements are determined as described in Note 4.

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

Research Awards and Grants Payable

Research awards and grants made to other organizations that are conditional in nature are not recorded as expenses until any conditions have been satisfied. As conditions are satisfied, expenses are recorded in the statements of activities and the research award and grants payable liability is reduced. For research and grant awards that are unconditional in nature, expenses are recorded in the statements of activities at the time sufficient evidence that a promise to give was made by the Foundation and received by the grantee. The research awards and grants payable balance as of December 31, 2023 represents ongoing awards as well as new awards to other organizations made during 2023 and in prior years.

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. The Foundation uses an allocation based on department size to proportionately allocate occupancy, interest, insurance, and depreciation cost. Salaries are allocated on the basis of time and effort. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Contracts with Customers Accounted for in Accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers

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.

Arthritis Foundation, Inc.

Notes to Financial Statements

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 Foundation for use of the ease of use seal are normally three-year agreements. These agreements are classified as exchange transactions and the fees are recognized as earned. Total revenue recognized for the years ended December 31, 2023 and 2022, related to Ease of Use contracts was \$841,665 and \$842,083, respectively, and is included in conferences, sales, other revenue, gains and (losses) within the statements of activities.

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

The Foundation's other revenue streams are outside 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.

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.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are reflected as both contribution revenue and expenses in the accompanying statements 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 dedicate 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. The volunteers do not offer services that would fall under the aforementioned categories.

No amounts were recorded as revenue and expense for donated services and assets for the years

Arthritis Foundation, Inc.

Notes to Financial Statements

ended December 31, 2023 and 2022.

Special Events and Direct Donor Benefit Costs

Special events and direct donor benefit costs 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, 2023 and 2022, the Foundation assessed such elements as immaterial to the overall gift value.

Government Grants and Contracts

Grants awarded by federal agencies or passed through to the Foundation from another donor that received funding from the United States (“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 \$5,579,365 for the year ended December 31, 2023 and \$208,166 for the year ended December 31, 2022.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) provided two Paycheck Protection Program (“PPP”) forgivable loans which were forgiven and one of which is reflected within the accompanying statements of activities as government grant income of \$2,000,000 during the year ended December 31, 2023. The other loan of \$5,315,400 was reflected as government grant income during the year ended December 31, 2020. This funding was crucial to ensuring that staffing could be maintained in the face of the significant uncertainties from the coronavirus “COVID-19” pandemic.

Additional reviews and/or audits by the Small Business Administration “SBA” of the application and supporting documentation may occur for a period of up to six years following initial approval of forgiveness by the SBA.

The Foundation also qualified for the Employee Retention Credit (“ERC”) under the American Rescue Plan (the “ARP”). During the year ended December 31, 2021, the Foundation filed an application to claim an employee retention credit of \$3,258,117. During the year ended December 31, 2023, the Foundation received the full amount of the ERC funds from the Internal Revenue Service and recorded the revenue.

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, 2023

Arthritis Foundation, Inc.

Notes to Financial Statements

and 2022, 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 2022 financial statements have been reclassified to conform to the 2023 presentation. There was no impact on net assets or change in net assets as a result of the reclassifications.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. This standard was effective for the Foundation for the year ended December 31, 2023. The Foundation adopted ASU 2016-13 and all related subsequent amendments thereto effective January 1, 2023. Adoption of this standard did not have a significant impact on the financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments (Topic 326)* (“ASU 2019-05”), which will allow entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. The election must be applied on an instrument-by-instrument basis for eligible instruments. The Foundation adopted ASU 2019-05 for the year ended December 31, 2023. Adoption of this standard did not have a significant impact on the financial statements.

Arthritis Foundation, Inc.

Notes to Financial Statements

3. Liquidity and Availability of Resources

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets and Liquidity Resources	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 7,143,449	\$ 9,818,163
Investments	78,971,089	64,381,442
Accounts receivable, net	148,587	306,793
Contributions receivable, net	13,465,459	8,926,773
Total financial assets available within one year	99,728,584	83,433,171
Liquidity Resources		
Line of credit	14,000,000	14,000,000
Financial assets and liquidity resources available to meet cash for general expenditures within one year	\$113,728,584	\$ 97,433,171

The Foundation's financial assets not available for general use due to donor-imposed restrictions within one year of the statement of financial position date, including amounts set aside for long-term investing in endowment funds, have been excluded from the available amounts within the tables above.

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 9, the endowment funds have a spending rate of 4.25 percent, which does not require specific Board action for approval.

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. The Foundation has a revolving line of credit of \$14,000,000 to assist with working capital needs. As of December 31, 2023 and 2022, the Foundation had no outstanding balance on the line of credit.

4. Fair Value Measurements

The Foundation applies ASC 820, *Fair Value Measurement* ("ASC 820"), 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 are 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.

Arthritis Foundation, Inc.

Notes to Financial Statements

The three levels 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.

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 fair value of the Foundation's investments and split interest agreements by the above hierarchy levels as of:

	December 31, 2023				
	Level I	Level II	Level III	NAV ¹	Total
Investments and split interest agreements held by the Foundation					
Domestic equity mutual funds	\$ 52,920,173	\$ -	\$ -	\$ -	\$ 52,920,173
Fixed income mutual funds	42,697,275	-	-	-	42,697,275
International equity mutual funds	28,580,905	-	-	-	28,580,905
Preferred stock	1,000	-	-	-	1,000
Private investments	-	-	-	4,995,963	4,995,963
Real estate funds	7,246,226	-	-	-	7,246,226
Other commodities	4,098,095	-	-	-	4,098,095
Other - principally money market and other mutual funds	147,643	-	130	-	147,773
Total investments and split interest agreements held by the Foundation	135,691,317	-	130	4,995,963	140,687,410
Split interest agreements held by third parties	-	-	52,406,575	-	52,406,575
Total	\$ 135,691,317	\$ -	\$ 52,406,705	\$ 4,995,963	\$ 193,093,985

Arthritis Foundation, Inc.

Notes to Financial Statements

	December 31, 2022				
	Level I	Level II	Level III	NAV ¹	Total
Investments and split interest agreements held by the Foundation					
Domestic equity mutual funds	\$ 40,800,535	\$ -	\$ -	\$ -	\$ 40,800,535
Fixed income mutual funds	31,770,675	-	-	-	31,770,675
International equity mutual funds	25,168,975	-	-	-	25,168,975
Preferred stock	1,000	-	-	-	1,000
Private investments	-	-	-	3,593,527	3,593,527
Hedge funds	-	-	-	9,777,061	9,777,061
Real estate funds	6,044,671	-	-	-	6,044,671
Other commodities	4,090,768	-	-	-	4,090,768
Other - principally money market and other mutual funds	295,481	-	130	-	295,611
Total investments and split interest agreements held by the Foundation	108,172,105	-	130	13,370,588	121,542,823
Split interest agreements held by third parties	-	-	45,985,712	-	45,985,712
Total	\$ 108,172,105	\$ -	\$ 45,985,842	\$ 13,370,588	\$ 167,528,535

¹Net Asset Valuation (“NAV”) column above represents the Foundation’s ownership interest in investment vehicles that are not publicly traded. As a practical expedient, the Foundation uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. These NAVs are provided by an independent, third-party administrator, and each vehicle also has an audit completed annually.

The Foundation’s split interest agreements held by third parties hold assets valued at NAV. The Foundation’s interests in the trusts are not redeemable and any distributions are at the discretion of the trustees. As such, the Foundation’s split interest agreements held by third parties are classified within Level 3 of the above tables.

With respect to valuation methodologies at December 31, 2023 and 2022, 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, hedge strategies and real assets), the Foundation utilizes the 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.

Arthritis Foundation, Inc.

Notes to Financial Statements

Redemption Information for Assets Valued at NAV Fair Value as of December 31, 2023

Classification	NAV	Unfunded Commitments	Redemption Terms	Days' Notice
Private investments	\$ 4,995,968	\$ 8,994,783	Not Redeemable	N/A
Total Assets Valued at NAV	\$ 4,995,968			

Redemption Information for Assets Valued at NAV Fair Value as of December 31, 2022

Classification	NAV	Unfunded Commitments	Redemption Terms	Days' Notice
Private investments	\$ 3,593,527	\$ 4,704,153	Not Redeemable	N/A
Hedge funds	9,777,061	-	Quarterly	70 Days
Total Assets Valued at NAV	\$ 13,370,588			

5. Investments

The Foundation's investments at fair value were as follows at:

December 31,	2023	2022
Domestic equity mutual funds	\$ 48,599,434	\$ 36,727,923
Fixed income mutual funds	38,809,200	27,922,348
International equity mutual funds	26,315,524	22,635,966
Preferred stock	1,000	1,000
Private investments	4,995,963	3,593,527
Hedge funds	-	9,777,061
Real estate funds	6,950,168	5,763,236
Other commodities	4,098,094	4,090,768
Other - principally money market and other mutual funds	147,773	295,611
Total Investments	\$ 129,917,156	\$ 110,807,440

At December 31, 2023 and 2022, the Foundation's operating investments of \$78,390,538 and \$63,711,459, respectively, were secured as collateral for the line of credit, further described in Note 15.

Arthritis Foundation, Inc.

Notes to Financial Statements

6. Contributions Receivable, net

The Foundation's contributions receivable were as follows at:

<i>December 31,</i>	2023	2022
Amounts due in		
Less than one year	\$ 19,234,839	\$ 12,583,405
One to five years	182,270	123,510
Gross contributions receivable	19,417,109	12,706,915
Allowance for doubtful accounts	(140,393)	(69,099)
Unamortized present value discount	(89,575)	(38,489)
Total Contributions receivable, net	\$ 19,187,141	\$ 12,599,327

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risks involved (2.5% to 5.6%).

7. Split Interest Agreements

The Foundation's split interest agreements at fair value were as follows at:

<i>December 31,</i>	2023	2022
Split interest agreements held by the Foundation		
Domestic equity mutual funds	\$ 4,320,739	\$ 4,072,612
Fixed income mutual funds	3,888,075	3,848,327
International equity mutual funds	2,265,381	2,533,009
Real estate funds	296,058	281,435
Total split interest agreements held by the Foundation	10,770,253	10,735,383
Split interest agreements held by third parties		
Charitable remainder trusts	6,894,812	6,486,505
Charitable trusts	255,327	-
Other perpetual trusts	45,256,437	39,499,207
Total split interest agreements held by third parties	52,406,576	45,985,712
Total Split interest agreements	\$ 63,176,829	\$ 56,721,095

Cash balances of \$655,793 and \$231,168 held within split interests under which the Foundation is trustee are presented as cash and cash equivalents in the statements of financial position as of December 31, 2023 and 2022, respectively.

Arthritis Foundation, Inc.

Notes to Financial Statements

Liabilities under split interest agreements for which the Foundation is the trustee were \$6,173,927 and \$6,307,576 at December 31, 2023 and 2022, respectively, and were valued at the date of donation using the income approach at discount rates commensurate with the risk involved (3% to 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.

8. Property and Equipment, net

The Foundation's property and equipment consisted of the following at:

<i>December 31,</i>	2023		2022
Land	\$	-	\$ 407,000
Buildings and improvements		-	1,992,130
Leasehold improvements		2,330,989	2,231,810
Furniture and other equipment		7,701,916	6,575,222
Total property and equipment		10,032,905	11,206,162
Accumulated depreciation		(7,716,134)	(7,962,347)
Total Property and equipment, net	\$	2,316,771	\$ 3,243,815

Depreciation expense was \$1,189,786 and \$1,674,492 for the years ended December 31, 2023 and 2022, respectively.

In June 2023, the Foundation sold its office building in North Palm Beach, Florida for \$4,500,710, with net proceeds of \$4,229,120 after closing costs. The book value of the asset was \$1,037,573, resulting in a gain on the sale of \$3,191,547. The net proceeds include \$1,750,000 restricted for use by programs that serve people with arthritis in the seven county region of Florida encompassing the former mid-East branch of the Arthritis Foundation of Florida, which includes Palm Beach, Martin, Okeechobee, Hendry St. Lucie, Indian River and Glades counties. The Foundation also had other immaterial dispositions during the years ended December 31, 2023 and 2022, respectively.

9. 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 prescribed by Uniform Prudent Management of Institutional Funds Act as implemented in Georgia ("GA UPMIFA") 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.

Arthritis Foundation, Inc.

Notes to Financial Statements

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 GA UPMIFA.

In accordance with GA 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 was one underwater endowment as of December 31, 2023; however, there were no such deficiencies as of December 31, 2022.

<i>December 31, 2023</i>	Original Gift	Accumulated Gain (Loss)	Total
Endowment	\$ 39,309,483	\$ 12,963,104	\$ 52,272,587
Underwater fund	277,686	(5,620)	272,066
Total	\$ 39,587,169	\$ 12,957,484	\$ 52,544,653

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 4.25% 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.

Arthritis Foundation, Inc.

Notes to Financial Statements

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, 2023 and 2022.

Changes in Endowment Net Assets

The Foundation's composition of and changes to donor restricted endowed net assets were as follows at:

<i>Year ended December 31, 2023</i>	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Endowment net assets, December 31, 2022	\$ 8,771,591	\$ 39,165,271	\$ 47,936,862
New endowment assets	-	421,898	421,898
Investment return income	1,077,153	-	1,077,153
Net appreciation (realized and unrealized)	5,323,031	-	5,323,031
Appropriation of endowment assets for expenditure	(2,214,291)	-	(2,214,291)
Endowment net assets, December 31, 2023	\$ 12,957,484	\$ 39,587,169	\$ 52,544,653

Arthritis Foundation, Inc.

Notes to Financial Statements

<i>Year ended December 31, 2022</i>	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Endowment net assets, December 31, 2021	\$ 18,023,969	\$ 39,165,271	\$ 57,189,240
Investment return income	1,394,870	-	1,394,870
Net depreciation (realized and unrealized)	(8,420,085)	-	(8,420,085)
Appropriation of endowment assets for expenditure	(2,227,163)	-	(2,227,163)
Endowment net assets, December 31, 2022	\$ 8,771,591	\$ 39,165,271	\$ 47,936,862

10. Net Assets - with Donor Restrictions

The Foundation's composition of net assets with donor restrictions were as follows at:

<i>December 31,</i>	2023	2022
Purpose and time restricted net assets		
Purpose restricted		
Education	\$ 3,944,359	\$ 4,761,022
Operations	35,665,734	28,389,546
Scholarship	690,257	522,693
Programs/trainings	11,582,969	9,263,951
Research	27,312,337	25,704,437
Time restricted		
Split interest agreements	5,257,913	4,658,973
Other time restricted net assets	5,205,231	2,928,656
Total purpose and time restricted net assets	89,658,800	76,229,278
Perpetual Endowments		
Research	10,000,440	9,856,632
Operations	26,191,762	26,191,762
Scholarship	1,457,400	1,457,400
Programs	1,937,567	1,659,477
Total net assets with donor restrictions to be held in perpetuity	39,587,169	39,165,271
Total Net assets with donor restrictions	\$129,245,969	\$ 115,394,549

Arthritis Foundation, Inc.

Notes to Financial Statements

11. Joint Costs

In 2023 and 2022, the Foundation incurred joint costs of \$5,560,736 and \$5,043,081, respectively, for informational materials and activities that included fundraising appeals, such as the Foundation's direct mail. The Foundation's joint costs were allocated within the statements of activities as follows:

<i>Years ended December 31,</i>	2023	2022
Public health education	\$ 4,281,767	\$ 3,883,172
Fundraising	1,278,969	1,159,909
Total Joint costs	\$ 5,560,736	\$ 5,043,081

12. Operating Leases

All lease agreements for the years ended December 31, 2023 and 2022, respectively, are accounted for under ASC Topic 842. The Foundation leases certain office space and equipment under operating leases.

Rental expense under operating leases for Foundation office space was \$723,514 and \$1,388,500 for the years ended December 31, 2023 and 2022, respectively. Lease agreements, with an original term of more than one year, expire on various dates through 2030 and have escalating lease payments and some options to extend or terminate. The operating leases do not contain residual value guarantees.

Lease right-of-use-assets and lease liabilities, respectively, are presented on the statement of financial position. Lease assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease.

The rate implicit in the Foundation's leases is not readily determinable. Accordingly, the Foundation uses its estimated incremental borrowing rate, which represents the rate of interest that the Foundation would pay to borrow on a collateralized basis over a similar term. As of December 31, 2023, lease liabilities have been determined using a weighted-average discount rate of approximately 5%. The remaining weighted-average life of the Foundation's operating leases is approximately 4.06 years. The Foundation's lease liabilities were \$3,278,613 and \$4,239,338 as of December 31, 2023 and 2022, respectively. The ROU assets were \$3,587,566 and \$ 4,381,212 as of December 31, 2023 and 2022, respectively.

Arthritis Foundation, Inc.

Notes to Financial Statements

The following is a schedule of future minimum lease payments required under all leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2023:

<i>Years ending December 31,</i>		Amount
2024	\$	1,012,723
2025		951,447
2026		839,600
2027		182,048
2028		186,596
Thereafter		387,312
Total future minimum lease payments	\$	3,559,726
Less amount representing interest		(281,113)
Net future minimum lease payments		3,278,613

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. Total contributions to the Defined Contribution Plans for the years ended December 31, 2023 and 2022 were \$829,223 and \$676,861, 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 \$22,500 and \$21,000 for the years ended December 31, 2023 and 2022, 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 within investments and accrued expenses and liabilities, respectively, in its statements of financial position. At December 31, 2023 and 2022, the assets and liabilities each totaled \$114,043 and \$264,898, respectively.

Defined Benefit Plans

The Foundation has various defined benefit pension plans 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, 2023 and 2022, the Foundation has recorded an accrued net pension liability of \$48,869 and \$111,131, respectively, in relation to the plans. Due to their relative size in relation to the financial statements of the Foundation, additional disclosures are not included.

Arthritis Foundation, Inc.

Notes to Financial Statements

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 five years. At December 31, 2023, these commitments were as follows:

<i>Years ending December 31,</i>		Amount
2024	\$	9,844,682
2025		4,555,949
2026		2,150,259
2027		524,982
Thereafter		357,351
Total Commitments	\$	17,433,224

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, 2023. The Employee Retention Credit is subject to review by the Internal Revenue Service and may require repayment if eligibility criteria are not met.

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 Base Rate plus 1.30% on the outstanding balance. There were no borrowings against the line during 2023 or 2022 and no outstanding balance at December 31, 2023 or 2022.

16. Subsequent Events

The Foundation has evaluated events subsequent to December 31, 2023 and through August 9, 2024, the date on which the financial statements were available for issuance. No material matters requiring disclosure were identified.