



FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Arthritis National Research Foundation

We have audited the accompanying financial statements of the Arthritis National Research Foundation (a California nonprofit corporation), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arthritis National Research Foundation as of March 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Long Beach, California
August 14, 2014

ARTHRITIS NATIONAL RESEARCH FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	March 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 771,568	\$ 810,535
Accrued interest receivable	13,014	13,014
Investments	7,739,410	7,277,265
Note receivable	<u>56,415</u>	<u>56,415</u>
TOTAL ASSETS	<u>\$ 8,580,407</u>	<u>\$ 8,157,229</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	<u>\$ 4,517</u>	<u>\$ 4,732</u>
COMMITMENTS (Note 5)		
NET ASSETS		
Unrestricted		
Undesignated	4,174,798	4,158,837
Board designated endowment	<u>4,390,806</u>	<u>3,983,374</u>
Total Unrestricted	8,565,604	8,142,211
Permanently restricted	<u>10,286</u>	<u>10,286</u>
	<u>8,575,890</u>	<u>8,152,497</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,580,407</u>	<u>\$ 8,157,229</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions and bequests	\$ 1,015,406		\$ 1,015,406
Total Public Support	<u>1,015,406</u>		<u>1,015,406</u>
Investment return			
Interest income	70,145		70,145
Dividend income	95,724		95,724
Gain on sale of investments	103,927		103,927
Unrealized gain on investments	<u>568,207</u>		<u>568,207</u>
Total Investment Return	<u>838,003</u>		<u>838,003</u>
TOTAL SUPPORT AND REVENUE	<u>1,853,409</u>		<u>1,853,409</u>
EXPENSES			
Program Services			
Research	1,104,088		1,104,088
Education	<u>209,031</u>		<u>209,031</u>
Total Program Services	<u>1,313,119</u>		<u>1,313,119</u>
Supporting Services			
Management and general	90,640		90,640
Fundraising	<u>26,257</u>		<u>26,257</u>
Total Supporting Services	<u>116,897</u>		<u>116,897</u>
TOTAL EXPENSES	<u>1,430,016</u>		<u>1,430,016</u>
CHANGE IN NET ASSETS	423,393		423,393
NET ASSETS AT BEGINNING OF YEAR	<u>8,142,211</u>	\$ <u>10,286</u>	<u>8,152,497</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,565,604</u>	<u>\$ 10,286</u>	<u>\$ 8,575,890</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions and bequests	\$ 1,070,203		\$ 1,070,203
Total Public Support	<u>1,070,203</u>		<u>1,070,203</u>
Investment return			
Interest income	70,237		70,237
Dividend income	77,398		77,398
Gain on sale of investments	83,327		83,327
Unrealized gain on investments	<u>360,673</u>		<u>360,673</u>
Total Investment Return	<u>591,635</u>		<u>591,635</u>
TOTAL SUPPORT AND REVENUE	<u>1,661,838</u>		<u>1,661,838</u>
EXPENSES			
Program Services			
Research	903,671		903,671
Education	<u>191,493</u>		<u>191,493</u>
Total Program Services	<u>1,095,164</u>		<u>1,095,164</u>
Supporting Services			
Management and general	76,740		76,740
Fundraising	<u>26,859</u>		<u>26,859</u>
Total Supporting Services	<u>103,599</u>		<u>103,599</u>
TOTAL EXPENSES	<u>1,198,763</u>		<u>1,198,763</u>
CHANGE IN NET ASSETS	463,075		463,075
NET ASSETS AT BEGINNING OF YEAR	<u>7,679,136</u>	\$ 10,286	<u>7,689,422</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,142,211</u>	<u>\$ 10,286</u>	<u>\$ 8,152,497</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS

	For the Year Ended March 31,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 423,393	\$ 463,075
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain on sale of investments	(103,927)	(83,327)
Unrealized gain on investments	(568,207)	(360,673)
Stock donations received	(396,149)	(2,804)
Increase in:		
Accrued interest receivable		(3,333)
Increase (decrease) in:		
Accounts payable	(<u>215</u>)	<u>479</u>
Net Cash Provided By (Used In) Operating Activities	(<u>645,105</u>)	<u>13,417</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(611,781)	(1,753,454)
Proceeds from sale of investments	<u>1,217,919</u>	<u>1,950,149</u>
Net Cash Provided By Investing Activities	<u>606,138</u>	<u>196,695</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(38,967)	210,112
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>810,535</u>	<u>600,423</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 771,568</u>	<u>\$ 810,535</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	
Research grants	\$ 960,366		\$ 960,366				\$ 960,366
Grants for professional meetings	17,443	\$ 381	17,824				17,824
Awareness program	1,068	25,296	26,364	\$ 497	\$ 977	\$ 1,474	27,838
Salaries – Executive Director	44,250	51,417	95,667	11,667	9,333	21,000	116,667
Salaries – Other	32,203	40,210	72,413	8,859	7,257	16,116	88,529
Payroll tax	6,213	7,053	13,266	1,626	1,260	2,886	16,152
Health insurance	4,861	7,732	12,593	1,803	1,309	3,112	15,705
Office rent/parking	5,804	7,878	13,682	4,174	868	5,042	18,724
Telephone and internet	233	1,428	1,661	614		614	2,275
Website	875	9,750	10,625	3,480	438	3,918	14,543
Insurance	690	808	1,498	4,320	144	4,464	5,962
Investment fees				18,593		18,593	18,593
Advertising	1,496	19,279	20,775	2,260	1,193	3,453	24,228
Office expenses	904	23,581	24,485	23,063	3,262	26,325	50,810
Professional fees	17,500	7,750	25,250	8,750		8,750	34,000
Recognition	2,238	466	2,704	436		436	3,140
Dues and subscriptions		353	353	286	100	386	739
Printing	3,379	5,649	9,028		116	116	9,144
Board meetings	4,565		4,565	212		212	4,777
	<u>\$ 1,104,088</u>	<u>\$ 209,031</u>	<u>\$ 1,313,119</u>	<u>\$ 90,640</u>	<u>\$ 26,257</u>	<u>\$ 116,897</u>	<u>\$ 1,430,016</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	
Research grants	\$ 799,196		\$ 799,196				\$ 799,196
Grants for professional meetings	2,146	\$ 250	2,396				2,396
Awareness program		26,233	26,233	\$ 1,114	\$ 2,055	\$ 3,169	29,402
Salaries – Executive Director	43,858	53,412	97,270	9,722	8,007	17,729	114,999
Salaries – Other	19,949	24,296	44,245	5,189	3,644	8,833	53,078
Payroll tax	5,179	5,993	11,172	1,046	912	1,958	13,130
Health insurance	5,079	6,112	11,191	565	846	1,411	12,602
Office rent/parking	5,710	8,497	14,207	4,594	418	5,012	19,219
Telephone and internet	516	1,662	2,178	369	50	419	2,597
Website	3,078	7,978	11,056	2,170	2,950	5,120	16,176
Insurance	498	565	1,063	3,700	87	3,787	4,850
Investment fees				16,658		16,658	16,658
Advertising	1,270	32,969	34,239	1,185	2,720	3,905	38,144
Office expenses	1,269	11,899	13,168	15,819	2,519	18,338	31,506
Professional fees	9,600	1,450	11,050	11,000	2,000	13,000	24,050
Directories		1,191	1,191				1,191
Recognition	1,749	1,200	2,949	356	171	527	3,476
Dues and subscriptions		574	574	180	375	555	1,129
Printing	2,271	5,175	7,446	373	105	478	7,924
Board meetings	2,303	2,037	4,340	2,700		2,700	7,040
	<u>\$ 903,671</u>	<u>\$ 191,493</u>	<u>\$ 1,095,164</u>	<u>\$ 76,740</u>	<u>\$ 26,859</u>	<u>\$ 103,599</u>	<u>\$ 1,198,763</u>

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

ARTHRITIS NATIONAL RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014 AND 2013

NOTE 1 – Summary of Significant Accounting Policies

Organization

The Arthritis National Research Foundation (“Foundation”) was incorporated on May 2, 1952 as a California nonprofit corporation. The Foundation was organized to provide financial support for the study of prevention, treatment, and cure of arthritis and other rheumatic diseases.

Basis of Presentation of Financial Statements

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At March 31, 2014 and 2013, the Foundation had no temporarily restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk – Cash

At March 31, 2014 and throughout the year, the Foundation had cash balances in financial institutions in excess of federally insured limits.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. The valuation of marketable securities is based upon quoted market prices. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statements of activities.

The Foundation's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Permanently restricted contributions and net assets have restrictions stipulated by the donor that the corpus be invested in perpetuity and only income be made available for operations.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014 AND 2013

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Legacies and Bequests

The Foundation has been named as beneficiary in a number of bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of the bequest is known, the Foundation is certain that, based on the estate's net assets, the amount bequeathed is realizable, and the probate court has declared the will valid.

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Foundation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Contributions In-Kind

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

The Foundation received no in-kind support during the years ended March 31, 2014 and 2013.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014 AND 2013

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Concentrations – Contributions and Bequests

For the year ended March 31, 2014, approximately 39% of contributions and bequests were from two donors. For the year ended March 31, 2013, approximately 47% of contributions and bequests were from one donor.

Subsequent Events

The Foundation's management has evaluated subsequent events from the statement of financial position date through August 14, 2014, the date the financial statements were available to be issued for the year ended March 31, 2014, and determined that there were no other items to disclose.

NOTE 2 – Investments and Fair Value Hierarchy

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 2 – Investments and Fair Value Hierarchy (Continued)

The following table presents assets that are measured at fair value on a recurring basis at March 31, 2014 and 2013:

<u>March 31, 2014</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 2,897,743	\$ 2,897,743		
Domestic Stocks	2,612,192	2,612,192		
Corporate Bonds	795,451		\$ 795,451	
Foreign Bonds	159,022		159,022	
Certificates of Deposit	<u>1,275,002</u>		<u>1,275,002</u>	
	<u>\$ 7,739,410</u>	<u>\$ 5,509,935</u>	<u>\$ 2,229,475</u>	<u>None</u>

<u>March 31, 2013</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 2,183,776	\$ 2,183,776		
Domestic Stocks	2,275,378	2,275,378		
Corporate Bonds	1,181,421		\$ 1,181,421	
Foreign Bonds	159,638		159,638	
Certificates of Deposit	<u>1,477,052</u>		<u>1,477,052</u>	
	<u>\$ 7,277,265</u>	<u>\$ 4,459,154</u>	<u>\$ 2,818,111</u>	<u>None</u>

NOTE 3 – Note Receivable

The note receivable is due from the trust of a donor, with interest due annually at 5%. The note will be paid in full to the Foundation on the date of termination of the owner's estate. The outstanding balance of the note at March 31, 2014 and 2013 is \$56,415.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 4 – Restrictions on Net Assets

Net assets were restricted by donors or designated by the Foundation as follows:

	March 31,	
	2014	2013
Unrestricted net assets:		
Undesignated	\$ 4,174,798	\$ 4,158,837
Board designated endowment	4,390,806	3,983,374
Total Unrestricted Net Assets	8,565,604	8,142,211
Permanently restricted net assets:		
Endowment fund	10,286	10,286
Total Permanently Restricted Net Assets	10,286	10,286
Total Net Assets	<u>\$ 8,575,890</u>	<u>\$ 8,152,497</u>

NOTE 5 – Commitments

The Foundation leases commercial office space and office equipment under various terms through 2017 or on a month-to-month basis. The terms of the office space lease provide for payment of minimum annual rentals, with fixed increases in annual rents. Office and equipment rental expense for the years ended March 31, 2014 and 2013 was \$21,511 and \$21,570, respectively.

Future minimum lease payments under these operating lease agreements are as follows:

Year Ending March 31,	
2015	\$ 18,031
2016	17,460
2017	2,640
	<u>\$ 38,131</u>

ARTHRITIS NATIONAL RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014 AND 2013

NOTE 6 – Endowment Funds

The Foundation's endowment consists of one donor-restricted contribution of \$10,286 and a board-designated fund established to generate return which is sufficient to meet the current and expected future financial requirements of the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's management and investment of donor-endowment funds is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the 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 the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's management in a manner consistent with the standard of prudence prescribed by UPMIFA. Board-designated endowment funds are reported as unrestricted net assets.

Spending Policy for Endowment Funds

The income generated by the board-designated endowment fund, including dividends, interest and realized gains, may be appropriated annually to fund general operations and grant making. Earnings in excess of grant expenditures and operations may be used for expanding knowledge and support of the Foundation.

Investment Policy for Endowment Funds

The Foundation utilizes investment policies for endowment assets that attempt to provide a predictable stream of funding of its programs and operations while seeking to maintain the purchasing power of the endowment assets. Specifically, over a market cycle of three to five years, the total return should exceed the Consumer Price Index by 4% annually and should average at least 6% annually. The Foundation targets a diversified asset allocation that places greater emphasis on fixed income and equity-based investments.

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 6 – Endowment Funds (Continued)

Net changes in endowment funds for the years ended March 31, 2014 and 2013 were as follows:

<u>March 31, 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,983,374	None	\$ 10,286	\$ 3,993,660
Investment return:				
Investment income	56,967	\$ 674		57,641
Net appreciation (realized and unrealized)	347,909			347,909
Total investment return	404,876	674		405,550
Contributions	2,556			2,556
Appropriation of endowment assets for expenditure		(674)		(674)
Endowment net assets, end of year	<u>\$ 4,390,806</u>	<u>None</u>	<u>\$ 10,286</u>	<u>\$ 4,401,092</u>

ARTHRITIS NATIONAL RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 6 – Endowment Funds (Continued)

<u>March 31, 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,479,031	None	\$ 10,286	\$ 3,489,317
Investment return:				
Investment income	45,125	\$ 478		45,603
Net appreciation (realized and unrealized)	<u>209,218</u>	_____		<u>209,218</u>
Total investment return	<u>254,343</u>	<u>478</u>		<u>254,821</u>
Contributions	<u>250,000</u>			<u>250,000</u>
Appropriation of endowment assets for expenditure	_____	(478)	_____	(478)
Endowment net assets, end of year	<u>\$ 3,983,374</u>	<u>None</u>	<u>\$ 10,286</u>	<u>\$ 3,993,660</u>