

**PSC PARTNERS SEEKING A CURE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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## Independent Auditors' Report

Board of Directors  
PSC Partners Seeking A Cure  
Englewood, Colorado

We have audited the accompanying financial statements of PSC Partners Seeking A Cure, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows and supplementary schedules of 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.

### ***Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

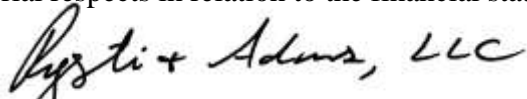
400 South Colorado Boulevard, Suite 690 • Denver, Colorado 80246  
303 733-3796 • FAX 303 733-6230 • [www.pnacpa.com](http://www.pnacpa.com)

***Opinion***

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of PSC Partners Seeking A Cure as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Ryski + Adams, LLC".

March 14, 2014  
Denver, Colorado

PSC PARTNERS SEEKING A CURE  
STATEMENTS OF FINANCIAL POSITION

<u>December 31,</u>	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash	\$ 172,527	\$ 36,976
Investments	1,254,198	1,284,297
Prepaid expenses	16,287	2,284
Equipment, net of accumulated depreciation	<u>1,503</u>	<u>2,218</u>
Total Assets	<u>\$ 1,444,515</u>	<u>\$ 1,325,775</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	<u>\$ 17,947</u>	<u>\$ 104</u>
Net assets		
Unrestricted	1,154,258	955,105
Temporarily restricted	<u>272,310</u>	<u>370,566</u>
Total net assets	<u>1,426,568</u>	<u>1,325,671</u>
Total Liabilities and Net Assets	<u>\$ 1,444,515</u>	<u>\$ 1,325,775</u>

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

PSC PARTNERS SEEKING A CURE  
STATEMENTS OF ACTIVITIES

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>For the Year Ended December 31, 2013:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 271,660	\$ 189,793	\$ 461,453
Conference income	36,278	83,503	119,781
Fundraising income, net	28,130	0	28,130
Interest income	14,842	0	14,842
Net assets released from restrictions	<u>371,552</u>	<u>(371,552)</u>	<u>0</u>
Total support, revenue and other gains	<u>722,462</u>	<u>(98,256)</u>	<u>624,206</u>
<u>Expenses</u>			
Program	440,287		440,287
General and administrative	30,484		30,484
Fundraising	<u>52,538</u>		<u>52,538</u>
Total expenses	<u>523,309</u>		<u>523,309</u>
Changes in net assets	199,153	(98,256)	100,897
Net assets, beginning of year	<u>955,105</u>	<u>370,566</u>	<u>1,325,671</u>
Net assets, end of year	<u>\$ 1,154,258</u>	<u>\$ 272,310</u>	<u>\$ 1,426,568</u>
<u>For the Year Ended December 31, 2012:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 247,459	\$ 175,520	\$ 422,979
Conference income	59,614	52,700	112,314
Interest income	32,587	0	32,587
Net assets released from restrictions	<u>223,658</u>	<u>(223,658)</u>	<u>0</u>
Total support, revenue and other gains	<u>563,318</u>	<u>4,562</u>	<u>567,880</u>
<u>Expenses</u>			
Program	254,037		254,037
General and administrative	25,574		25,574
Fundraising	<u>47,704</u>		<u>47,704</u>
Total expenses	<u>327,315</u>		<u>327,315</u>
Changes in net assets	236,003	4,562	240,565
Net assets, beginning of year	<u>719,102</u>	<u>366,004</u>	<u>1,085,106</u>
Net assets, end of year	<u>\$ 955,105</u>	<u>\$ 370,566</u>	<u>\$ 1,325,671</u>

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

PSC PARTNERS SEEKING A CURE  
STATEMENTS OF CASH FLOWS

<u>For the Years ended December 31,</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from donors	\$ 446,393	\$ 406,156
Cash paid to vendors and suppliers	(511,189)	(325,419)
Other income received	140,346	107,250
Interest and dividends received	<u>12,131</u>	<u>13,986</u>
Net cash provided by operating activities	<u>87,681</u>	<u>201,973</u>
Cash flows from investing activities		
Purchase of investments	(117,523)	(454,330)
Proceeds from sale of investments	<u>165,393</u>	<u>168,344</u>
Net cash provided by (used in) investing activities	<u>47,870</u>	<u>(285,986)</u>
Net increase (decrease) in cash and cash equivalents	135,551	(84,013)
Cash and cash equivalents at beginning of year	<u>36,976</u>	<u>120,989</u>
Cash and cash equivalents at end of year	<u>\$ 172,527</u>	<u>\$ 36,976</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 100,897	\$ 240,565
Reconciling adjustments		
Unrealized/Realized gain on investments	(2,711)	(18,601)
Depreciation	715	715
Donated stock	(15,060)	(15,395)
Change in operating assets and liabilities:		
Prepaid expenses	17,843	(1,216)
Accrued liabilities and accounts payable	<u>(14,003)</u>	<u>(4,095)</u>
Net cash provided by operating activities	<u>\$ 87,681</u>	<u>\$ 201,973</u>

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

PSC PARTNERS SEEKING A CURE  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PSC Partners Seeking A Cure (the Organization) is a Colorado non-profit organization. The mission of the PSC Partners Seeking a Cure foundation is to provide education and support to PSC patients, families and caregivers and to raise funds to research causes, treatments and potential cures for primary sclerosing cholangitis.

PSC, primary sclerosing cholangitis, is an immune-mediated disease that causes the bile ducts inside and outside the liver to become scarred, narrowed and eventually blocked. As more and more ducts are blocked, bile becomes trapped and damages the liver. The damage, if left unchecked, causes liver cell death, which leads to cirrhosis and may eventually require a liver transplant. At present, the only definitive treatment for PSC is liver transplantation. The Organization is working to find better treatments and a cure.

The Scientific/Medical Advisory Committee of the Organization annually evaluates research proposals and selects grants to promote PSC research. The PSC Partners Seeking a Cure Literature Site is a website providing information on PSC and is updated weekly to provide PSC patients, caregivers, physicians, and researchers access to information concerning PSC and allied diseases. The website includes advice and personal stories from its members, in order to offer everyday living suggestions to PSCers in addition to updates on treatments and medical research. Starting in 2005 the Organization has held annual conferences for PSC patients and caregivers at medical centers throughout the country. These conferences allow the opportunity to learn about the most recent advances in PSC treatments and research, while also allowing PSCers to share their experiences, advice, and concerns with other PSCers. In addition, the Organization publishes a free online newsletter with updates about the latest treatments, research results, and coping suggestions. The Organization also holds local forums for PSC patients and caregivers.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization has determined that current operational cash needs will occasionally result in cash and money market account balances in excess of insured limits.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because the Organization has qualified as exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code (Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not have any material unrelated business income tax liability or significant uncertain tax positions for the years ended December 31, 2013 or 2012. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's ending open audit periods are December 31, 2010, 2011, 2012, and 2013.



PSC PARTNERS SEEKING A CURE  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support in the statement of activities.

Contributions of services shall be recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising Costs

Advertising and promotion costs are expensed as incurred.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Equipment and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Allocation of expenses

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

Subsequent Events

The Organization's financial statements were available to be issued on March 21, 2014, and this is the date through which subsequent events were evaluated. The Organization did not identify any subsequent events requiring disclosure.

PSC PARTNERS SEEKING A CURE  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments held as of December 31, 2013 are as follows:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 806,012	\$ 688,488
Fixed income	100,550	180,703
Mutual Funds-Bonds	245,051	258,891
Mutual Funds-Equities	<u>102,585</u>	<u>156,215</u>
	<u>\$ 1,254,198</u>	<u>\$ 1,284,297</u>

Composition of investment return:

Interest and dividends from operations	\$ 12,131	\$ 13,986
Realized and unrealized gain on investments	<u>2,711</u>	<u>18,601</u>
	<u>\$ 14,842</u>	<u>\$ 32,587</u>

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). All of the Organization's investments are valued using Level 1, which are described as inputs to the valuation methodology which are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization the ability to access.

NOTE 3 - EQUIPMENT AND DEPRECIATION

	<u>2013</u>	<u>2012</u>
Machinery and equipment	\$ 3,575	\$ 3,575
Less accumulated depreciation	<u>(2,072)</u>	<u>(1,357)</u>
	<u>\$ 1,503</u>	<u>\$ 2,218</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

	<u>2013</u>	<u>2012</u>
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:		
Information technology	\$ 5,633	\$ 5,666
Patient registry	1,825	0
Research	302,282	163,000
Conference	61,812	52,700
Consultant	<u>0</u>	<u>2,292</u>
	<u>\$ 371,552</u>	<u>\$ 223,658</u>

PSC PARTNERS SEEKING A CURE  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2013	2012
Temporarily restricted net assets are available for the following purposes:		
Information technology	\$ 69,873	\$ 50,506
Patient registry	47,410	49,235
Research	133,336	270,825
Conference	21,691	0
	\$ 272,310	\$ 370,566

NOTE 5 - CONCENTRATIONS

Twenty percent of donations were received from two donors in 2013 and 2012. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.

NOTE 6 - COMMITMENTS

On March 8, 2013, the Organization signed a contract for conference space and hotel accommodations to be held in April 2014. Should the Organization cancel for any reason, there would be a fee due of \$16,287.

NOTE 7 - ENDOWMENTS

The Organization does not currently possess any true endowments, or permanently restricted gift instruments. The Organization has several temporarily restricted net asset balances related to its three pillar programs; research, awareness, and education. As required by generally accepted accounting principles, net assets associated with endowment funds, including temporarily restricted net asset balances, are classified and reported based on the existence or absence of donor imposed restrictions. Changes in temporarily restricted net assets for the years ended December 31, 2013 and 2012 are reflected in the statements of activities.

PSC PARTNERS SEEKING A CURE  
SCHEDULES OF FUNCTIONAL EXPENSES

	<u>Program</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Totals</u>
<u>For the Year Ended December 31, 2013</u>				
Salaries and wages	\$ 31,487	\$ 11,809	\$ 35,424	\$ 78,720
Payroll taxes	<u>2,409</u>	<u>903</u>	<u>2,710</u>	<u>6,022</u>
Total compensation	33,896	12,712	38,134	84,742
Professional fees	5,653	7,929	0	13,582
Postage	230	153	383	766
Insurance	568	1,988	284	2,840
Grants to others	334,107	0	0	334,107
Office expense	4,129	3,539	4,129	11,797
Conference & meetings	59,436	3,128	0	62,564
Technology	1,748	749	2,497	4,994
Marketing	306	0	2,747	3,053
Fundraising	0	0	4,149	4,149
Depreciation and amortization	<u>214</u>	<u>286</u>	<u>215</u>	<u>715</u>
Total expenses	<u>\$ 440,287</u>	<u>\$ 30,484</u>	<u>\$ 52,538</u>	<u>\$ 523,309</u>

<u>For the Year Ended December 31, 2012</u>				
Salaries and wages	\$ 19,810	\$ 9,901	\$ 36,317	\$ 66,028
Payroll taxes	<u>1,515</u>	<u>758</u>	<u>2,778</u>	<u>5,051</u>
Total compensation	21,325	10,659	39,095	71,079
Professional fees	4,330	7,116	0	11,446
Postage	226	151	376	753
Insurance	346	1,212	173	1,731
Grants to others	163,000	0	0	163,000
Office expense	2,822	2,419	2,822	8,063
Conference & meetings	53,370	2,809	0	56,179
Other program	6,493	0	0	6,493
Technology	1,983	850	2,833	5,666
Marketing	0	0	256	256
Fundraising	0	0	1,934	1,934
Depreciation and amortization	<u>142</u>	<u>358</u>	<u>215</u>	<u>715</u>
Total expenses	<u>\$ 254,037</u>	<u>\$ 25,574</u>	<u>\$ 47,704</u>	<u>\$ 327,315</u>