

PSC PARTNERS SEEKING A CURE
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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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, 2014 and 2013, 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.

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 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.

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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, 2014 and 2013, 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". The signature is written in black ink and is positioned above the date and location text.

March 28, 2015
Denver, Colorado

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FINANCIAL POSITION

<u>December 31,</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash	\$ 49,442	\$ 172,527
Investments	1,514,448	1,254,198
Prepaid expenses	0	16,287
Equipment, net of accumulated depreciation	<u>1,373</u>	<u>1,503</u>
Total Assets	<u>\$ 1,565,263</u>	<u>\$ 1,444,515</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	<u>\$ 1,304</u>	<u>\$ 17,947</u>
Net assets		
Unrestricted	1,428,711	1,154,258
Temporarily restricted	<u>135,248</u>	<u>272,310</u>
Total net assets	<u>1,563,959</u>	<u>1,426,568</u>
Total Liabilities and Net Assets	<u>\$ 1,565,263</u>	<u>\$ 1,444,515</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, 2014:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 501,432	\$ 86,321	\$ 587,753
Conference income	66,898	85,311	152,209
Interest income	11,846	0	11,846
Net assets released from restrictions	<u>308,694</u>	<u>(308,694)</u>	<u>0</u>
Total support, revenue and other gains	<u>888,870</u>	<u>(137,062)</u>	<u>751,808</u>
<u>Expenses</u>			
Program	493,897		493,897
General and administrative	53,982		53,982
Fundraising	<u>66,538</u>		<u>66,538</u>
Total expenses	<u>614,417</u>		<u>614,417</u>
Changes in net assets	274,453	(137,062)	137,391
Net assets, beginning of year	<u>1,154,258</u>	<u>272,310</u>	<u>1,426,568</u>
Net assets, end of year	<u>\$ 1,428,711</u>	<u>\$ 135,248</u>	<u>\$ 1,563,959</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>

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

PSC PARTNERS SEEKING A CURE
STATEMENTS OF CASH FLOWS

For the Years ended December 31,	2014	2013
Cash flows from operating activities		
Cash received from donors	\$ 564,249	\$ 446,393
Cash paid to vendors and suppliers	(613,462)	(511,189)
Other income received	152,209	140,346
Interest and dividends received	10,246	12,131
Net cash provided by operating activities	113,242	87,681
Cash flows from investing activities		
Purchase of fixed assets	(1,181)	0
Purchase of investments	(335,146)	(117,523)
Proceeds from sale of investments	100,000	165,393
Net cash provided by (used in) investing activities	(236,327)	47,870
Net increase (decrease) in cash and cash equivalents	(123,085)	135,551
Cash and cash equivalents at beginning of year	172,527	36,976
Cash and cash equivalents at end of year	\$ 49,442	\$ 172,527
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 137,391	\$ 100,897
Reconciling adjustments		
Unrealized/Realized gain on investments	(1,600)	(2,711)
Depreciation	1,311	715
Donated stock	(23,504)	(15,060)
Change in operating assets and liabilities:		
Prepaid expenses	16,287	17,843
Accrued liabilities and accounts payable	(16,643)	(14,003)
Net cash provided by operating activities	\$ 113,242	\$ 87,681

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, 2014 or 2013. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's ending open audit periods are December 31, 2011, 2012, 2013, and 2014.

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 30, 2015, 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, 2014 are as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,141,762	\$ 806,012
Fixed income	81,501	100,550
Mutual Funds-Bonds	248,955	245,051
Mutual Funds-Equities	<u>42,230</u>	<u>102,585</u>
	<u>\$ 1,514,448</u>	<u>\$ 1,254,198</u>
Composition of investment return:		
Interest and dividends	\$ 10,247	\$ 12,131
Realized and unrealized gain	<u>1,600</u>	<u>2,711</u>
	<u>\$ 11,847</u>	<u>\$ 14,842</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>2014</u>	<u>2013</u>
Machinery and equipment	\$ 4,756	\$ 3,575
Less accumulated depreciation	<u>(3,383)</u>	<u>(2,072)</u>
	<u>\$ 1,373</u>	<u>\$ 1,503</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2014</u>	<u>2013</u>
Information technology	\$ 11,388	\$ 5,633
Patient registry	14,219	1,825
Research	194,657	302,282
Conference	<u>88,430</u>	<u>61,812</u>
	<u>\$ 308,694</u>	<u>\$ 371,552</u>

PSC PARTNERS SEEKING A CURE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Information technology	\$ 83,486	\$ 69,873
Patient registry	33,191	47,410
Research	0	133,336
Conference	<u>18,571</u>	<u>21,691</u>
	<u>\$ 135,248</u>	<u>\$ 272,310</u>

NOTE 5 - CONCENTRATIONS

Twenty eight and twenty percent of donations were received from two donors in 2014 and 2013, respectively. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.

NOTE 6 - 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, 2014 and 2013 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, 2014</u>				
Salaries and wages	\$ 45,833	\$ 28,646	\$ 40,104	\$ 114,583
Payroll taxes	<u>3,506</u>	<u>1,315</u>	<u>3,945</u>	<u>8,766</u>
Total compensation	49,339	29,961	44,049	123,349
Professional fees	5,206	7,190	0	12,396
Postage	109	72	181	362
Insurance	298	1,042	149	1,489
Grants to others	333,000	0	0	333,000
Office expense	4,218	3,616	4,218	12,052
Conference & meetings	80,584	8,954	0	89,538
Technology	3,985	1,708	5,694	11,387
Marketing	702	0	3,976	4,678
Fundraising	0	0	7,878	7,878
Other program	16,063	915	0	16,978
Depreciation	<u>393</u>	<u>524</u>	<u>393</u>	<u>1,310</u>
Total expenses	<u>\$ 493,897</u>	<u>\$ 53,982</u>	<u>\$ 66,538</u>	<u>\$ 614,417</u>

For the Year Ended December 31, 2013

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	<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>