

**PSC PARTNERS SEEKING A CURE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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, 2015 and 2014, 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, 2015 and 2014, 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.

*Ryski + Adams, LLC*

June 1, 2016  
Denver, Colorado

PSC PARTNERS SEEKING A CURE  
STATEMENTS OF FINANCIAL POSITION

<u>December 31,</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash	\$ 99,383	\$ 49,442
Investments	1,530,382	1,514,448
Prepaid expenses	2,878	0
Equipment, net of accumulated depreciation	12,991	1,373
Deposits	<u>2,114</u>	<u>0</u>
Total Assets	<u>\$ 1,647,748</u>	<u>\$ 1,565,263</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	<u>\$ 5,634</u>	<u>\$ 1,304</u>
Net assets		
Unrestricted	1,464,172	1,428,711
Temporarily restricted	<u>177,942</u>	<u>135,248</u>
Total net assets	<u>1,642,114</u>	<u>1,563,959</u>
Total Liabilities and Net Assets	<u>\$ 1,647,748</u>	<u>\$ 1,565,263</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, 2015:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 492,558	\$ 122,307	\$ 614,865
Conference income	25,000	180,360	205,360
Investment income	4,010	0	4,010
Net assets released from restrictions	<u>259,973</u>	<u>(259,973)</u>	<u>0</u>
Total support, revenue and other gains	<u>781,541</u>	<u>42,694</u>	<u>824,235</u>
<u>Expenses</u>			
Program	584,641		584,641
General and administrative	60,191		60,191
Fundraising	<u>101,248</u>		<u>101,248</u>
Total expenses	<u>746,080</u>		<u>746,080</u>
Changes in net assets	35,461	42,694	78,155
Net assets, beginning of year	<u>1,428,711</u>	<u>135,248</u>	<u>1,563,959</u>
Net assets, end of year	<u>\$ 1,464,172</u>	<u>\$ 177,942</u>	<u>\$ 1,642,114</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>

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>2015</u>	<u>2014</u>
Cash flows from operating activities		
Cash received from donors	\$ 602,790	\$ 564,249
Cash paid to vendors and suppliers	(745,725)	(613,462)
Other income received	205,360	152,209
Interest and dividends received	9,250	10,246
Net cash provided by operating activities	<u>71,675</u>	<u>113,242</u>
Cash flows from investing activities		
Purchase of fixed assets	(12,635)	(1,181)
Purchase of investments	(19,319)	(335,146)
Proceeds from sale of investments	10,220	100,000
Net cash used in investing activities	<u>(21,734)</u>	<u>(236,327)</u>
Net increase (decrease) in cash and cash equivalents	49,941	(123,085)
Cash and cash equivalents at beginning of year	<u>49,442</u>	<u>172,527</u>
Cash and cash equivalents at end of year	<u>\$ 99,383</u>	<u>\$ 49,442</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 78,155	\$ 137,391
Reconciling adjustments		
Depreciation	1,017	1,311
Unrealized/Realized gain on investments	5,240	(1,600)
Donated stock	(12,075)	(23,504)
Change in operating assets and liabilities:		
Prepaid expenses	(4,992)	16,287
Accrued liabilities and accounts payable	<u>4,330</u>	<u>(16,643)</u>
Net cash provided by operating activities	<u>\$ 71,675</u>	<u>\$ 113,242</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, 2015 or 2014. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's ending open audit periods are December 31, 2012 through 2015.



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 June 1, 2016, 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 are as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,161,080	\$ 1,141,762
Fixed income	77,459	81,501
Mutual Funds-Bonds	244,084	248,955
Mutual Funds-Equities	<u>47,759</u>	<u>42,230</u>
	<u>\$ 1,530,382</u>	<u>\$ 1,514,448</u>
Composition of investment return:		
Interest and dividends	\$ 9,250	\$ 10,247
Realized and unrealized gain	<u>(5,240)</u>	<u>1,600</u>
	<u>\$ 4,010</u>	<u>\$ 11,847</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>2015</u>	<u>2014</u>
Furniture and equipment	\$ 17,391	\$ 4,756
Less accumulated depreciation	<u>(4,400)</u>	<u>(3,383)</u>
	<u>\$ 12,991</u>	<u>\$ 1,373</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Information technology	\$ 12,165	\$ 11,388
Patient registry	31,518	14,219
Research	86,672	194,657
Conference	<u>129,618</u>	<u>88,430</u>
	<u>\$ 259,973</u>	<u>\$ 308,694</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>2015</u>	<u>2014</u>
Information technology	\$ 96,321	\$ 83,486
Patient registry	12,308	33,191
Conference	<u>69,313</u>	<u>18,571</u>
	<u>\$ 177,942</u>	<u>\$ 135,248</u>

NOTE 5 - CONCENTRATIONS

Twenty one percent of 2014 revenue was received from the top two donors. The Organization monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.

NOTE 6 - COMMITMENTS

The Organization has entered into certain contracts for future conference venues. These contracts contain provisions for damages upon cancellation of the events. Management is confident the conferences will take place as planned and the Organization will not be in a position of have to pay cancellation penalties.

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, 2015 and 2014 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, 2015</u>				
Salaries and wages	\$ 47,111	\$ 29,444	\$ 41,222	\$ 117,777
Payroll taxes	<u>3,337</u>	<u>1,251</u>	<u>3,753</u>	<u>8,341</u>
Total compensation	50,448	30,695	44,975	126,118
Professional fees	9,331	10,664	2,222	22,217
Postage	291	192	486	969
Insurance	196	686	98	980
Grants to others	363,000	0	0	363,000
Office expense	3,072	2,304	2,305	7,681
Conference & meetings	116,781	10,381	2,595	129,757
Technology	2,192	939	3,132	6,263
Marketing	3,283	1,094	17,510	21,887
Fundraising	5,899	1,311	25,564	32,774
Other program	29,741	1,671	2,005	33,417
Depreciation	<u>407</u>	<u>254</u>	<u>356</u>	<u>1,017</u>
Total expenses	<u>\$ 584,641</u>	<u>\$ 60,191</u>	<u>\$ 101,248</u>	<u>\$ 746,080</u>

For the Year Ended December 31, 2014

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>