

PSC PARTNERS SEEKING A CURE
FINANCIAL STATEMENTS
DECEMBER 31, 2019



CONTENTS

| | |
|-----------------------------------|------|
| Independent Auditor's Report | 2 |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional expenses | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7-11 |

POYSTI

& ASSOCIATES, LLC

Independent Auditor's Report

Board of Directors
PSC Partners Seeking A Cure
Englewood, Colorado

Report on the Financial Statements

I have audited the accompanying financial statements of PSC Partners Seeking A Cure (a Colorado not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



August 5, 2020
Denver, Colorado

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FINANCIAL POSITION

| <u>December 31,</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| <u>Assets</u> | | |
| Cash | \$ 130,303 | \$ 32,540 |
| Accounts receivable | 21,338 | 33,278 |
| Prepaid expenses | 45,835 | 5,674 |
| Investments | 1,944,143 | 1,596,370 |
| Equipment, net of accumulated depreciation | 8,062 | 1,530 |
| Deposits | <u>2,114</u> | <u>2,114</u> |
| Total Assets | <u>\$ 2,151,795</u> | <u>\$ 1,671,506</u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable and accrued liabilities | <u>\$ 3,606</u> | <u>\$ 3,917</u> |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 1,391,804 | 1,030,481 |
| Designated by the Board for operating reserve | <u>180,000</u> | <u>180,000</u> |
| | 1,571,804 | 1,210,481 |
| With donor restrictions | <u>576,385</u> | <u>457,108</u> |
| Total net assets | <u>2,148,189</u> | <u>1,667,589</u> |
| Total Liabilities and Net Assets | <u>\$ 2,151,795</u> | <u>\$ 1,671,506</u> |

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

PSC PARTNERS SEEKING A CURE
STATEMENTS OF ACTIVITIES

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| <u>For the Year Ended December 31, 2019</u> | | | |
| <u>Support, revenue and other gains</u> | | | |
| Contributions | \$ 670,525 | \$ 326,240 | \$ 996,765 |
| Conference income | 0 | 266,619 | 266,619 |
| Investment income | 81,271 | 0 | 81,271 |
| Other income | 250 | 0 | 250 |
| Net assets released from restrictions | <u>473,582</u> | <u>(473,582)</u> | <u>0</u> |
| Total support, revenue and other gains | <u>1,225,628</u> | <u>119,277</u> | <u>1,344,905</u> |
| <u>Expenses</u> | | | |
| Program | 708,511 | | 708,511 |
| General and administrative | 100,192 | | 100,192 |
| Fundraising | <u>55,602</u> | | <u>55,602</u> |
| Total expenses | <u>864,305</u> | | <u>864,305</u> |
| Change in net assets | 361,323 | 119,277 | 480,600 |
| Net assets, beginning of year | <u>1,210,481</u> | <u>457,108</u> | <u>1,667,589</u> |
| Net assets, end of year | <u>\$ 1,571,804</u> | <u>\$ 576,385</u> | <u>\$ 2,148,189</u> |
| <u>For the Year Ended December 31, 2018</u> | | | |
| <u>Support, revenue and other gains</u> | | | |
| Contributions | \$ 623,015 | \$ 176,659 | \$ 799,674 |
| Conference income | 0 | 227,996 | 227,996 |
| Investment income | 3,526 | 0 | 3,526 |
| Net assets released from restrictions | <u>334,175</u> | <u>(334,175)</u> | <u>0</u> |
| Total support, revenue and other gains | <u>960,716</u> | <u>70,480</u> | <u>1,031,196</u> |
| <u>Expenses</u> | | | |
| Program | 865,394 | | 865,394 |
| General and administrative | 121,528 | | 121,528 |
| Fundraising | <u>101,810</u> | | <u>101,810</u> |
| Total expenses | <u>1,088,732</u> | | <u>1,088,732</u> |
| Change in net assets | (128,016) | 70,480 | (57,536) |
| Net assets, beginning of year | <u>1,338,497</u> | <u>386,628</u> | <u>1,725,125</u> |
| Net assets, end of year | <u>\$ 1,210,481</u> | <u>\$ 457,108</u> | <u>\$ 1,667,589</u> |

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

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FUNCTIONAL EXPENSES

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Totals</u> |
|---|-------------------|---------------------------------------|--------------------|-------------------|
| <u>For the Year Ended December 31, 2019</u> | | | | |
| Salaries and wages | \$ 151,419 | \$ 49,297 | \$ 31,514 | \$ 232,230 |
| Employee benefits | 7,638 | 2,487 | 1,589 | 11,714 |
| Payroll taxes | <u>11,638</u> | <u>3,789</u> | <u>2,423</u> | <u>17,850</u> |
| Total compensation | 170,695 | 55,573 | 35,526 | 261,794 |
| Conference & meetings | 138,733 | 12,332 | 3,083 | 154,148 |
| Professional fees | 0 | 15,952 | 0 | 15,952 |
| Postage | 710 | 55 | 327 | 1,092 |
| Insurance | 555 | 1,554 | 111 | 2,220 |
| Grants to others | 309,419 | 0 | 0 | 309,419 |
| Office expense | 15,985 | 7,648 | 4,169 | 27,802 |
| Technology | 16,434 | 3,793 | 5,056 | 25,283 |
| Marketing | 11,561 | 774 | 5,556 | 17,891 |
| Occupancy | 24,340 | 1,309 | 523 | 26,172 |
| Patient registry | 17,829 | 1,002 | 1,201 | 20,032 |
| Depreciation | <u>2,250</u> | <u>200</u> | <u>50</u> | <u>2,500</u> |
| Total expenses | <u>\$ 708,511</u> | <u>\$ 100,192</u> | <u>\$ 55,602</u> | <u>\$ 864,305</u> |

For the Year Ended December 31, 2018

| | | | | |
|-----------------------|-------------------|-------------------|-------------------|---------------------|
| Salaries and wages | \$ 93,657 | \$ 59,556 | \$ 64,858 | \$ 218,071 |
| Employee benefits | 6,173 | 3,925 | 4,275 | 14,373 |
| Payroll taxes | <u>6,979</u> | <u>4,438</u> | <u>4,834</u> | <u>16,251</u> |
| Total compensation | 106,809 | 67,919 | 73,967 | 248,695 |
| Conference & meetings | 174,488 | 15,511 | 3,878 | 193,877 |
| Professional fees | 28,169 | 25,270 | 3,043 | 56,482 |
| Postage | 117 | 9 | 54 | 180 |
| Insurance | 587 | 1,647 | 118 | 2,352 |
| Grants to others | 466,000 | 0 | 0 | 466,000 |
| Office expense | 9,778 | 5,334 | 2,668 | 17,780 |
| Technology | 11,710 | 3,194 | 6,387 | 21,291 |
| Marketing | 21,687 | 0 | 9,906 | 31,593 |
| Occupancy | 25,109 | 1,350 | 540 | 26,999 |
| Patient registry | 17,337 | 974 | 1,169 | 19,480 |
| Depreciation | <u>3,603</u> | <u>320</u> | <u>80</u> | <u>4,003</u> |
| Total expenses | <u>\$ 865,394</u> | <u>\$ 121,528</u> | <u>\$ 101,810</u> | <u>\$ 1,088,732</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>2019</u> | <u>2018</u> |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Cash received from donors | \$ 1,008,705 | \$ 794,293 |
| Cash paid to vendors and suppliers | (902,277) | (1,077,673) |
| Conference and other income received | 266,869 | 227,996 |
| Interest and dividends received | <u>46,452</u> | <u>19,800</u> |
| Net cash provided by (used in) operating activities | <u>419,749</u> | <u>(35,584)</u> |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (9,032) | 0 |
| Purchase of investments | (1,136,154) | (530,754) |
| Proceeds from sale of investments | <u>823,200</u> | <u>563,399</u> |
| Net cash provided by (used in) investing activities | <u>(321,986)</u> | <u>32,645</u> |
| Net increase (decrease) in cash and cash equivalents | 97,763 | (2,939) |
| Cash and cash equivalents at beginning of year | <u>32,540</u> | <u>35,479</u> |
| Cash and cash equivalents at end of year | <u>\$ 130,303</u> | <u>\$ 32,540</u> |

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

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

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

Organization

PSC Partners Seeking A Cure (PSCP) is a Colorado non-profit organization. The mission of the PSC Partners Seeking A Cure 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.

PSCP, 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 primary sclerosing cholangitis is a liver transplantation. PSCP is working to find better treatments and a cure.

The Scientific/Medical Advisory Committee of PSCP 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 PSCP 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 PSCP 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, PSCP publishes a free online newsletter with updates about the latest treatments, research results, and coping suggestions. PSCP also holds local forums for PSC patients and caregivers.

Cash and Cash Equivalents

PSCP considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for, nor restricted by, donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of web based donations processed through a third party. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of December 31, 2019 and 2018, the allowance for doubtful account balance was zero.

Equipment and Depreciation

PSCP capitalizes all expenditures more than \$1,000 for property and equipment at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – PSCP reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation and consist of materials, supplies, food, and small equipment. Volunteers often contribute time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising Costs

Advertising and promotion costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements because PSCP 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. PSCP did not have any material unrelated business income tax liability or significant uncertain tax positions for the years ended December 31, 2019 or 2018. PSCP's tax filings are subject to audit by various taxing authorities. PSCP's ending open audit periods are December 31, 2016 through 2019.

PSC PARTNERS SEEKING A CURE
NOTES TO 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.

Financial Instruments and Credit Risk

PSCP manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or may include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

Subsequent Events

PSCP's financial statements were available to be issued on August 5, 2020, and this is the date through which subsequent events were evaluated.

On March 2020, the World Health Organization declared the outbreak of novel coronavirus disease Covid-19, as a pandemic. PSCP has adjusted certain aspects of its operations to protect both employees and members while still meeting their needs. The situation continues to be closely monitored and it is possible that further measures will be implemented. In light of the uncertainty as to the severity and duration of the pandemic, the impact on our revenues, profitability and financial position is uncertain at this time.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 130,303 | \$ 32,540 |
| Accounts receivable | 21,338 | 33,278 |
| Investments | <u>1,944,143</u> | <u>1,596,370</u> |
| | <u>\$ 2,095,784</u> | <u>\$ 1,662,188</u> |

NOTE 3 - INVESTMENTS

Investments held as of December 31 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 927,870 | \$ 1,126,674 |
| Fixed income | 361,708 | 146,354 |
| Bond funds | 649,477 | 237,867 |
| Equities | <u>5,088</u> | <u>85,475</u> |
| | <u>\$ 1,944,143</u> | <u>\$ 1,596,370</u> |

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS (CONTINUED)

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|------------------|-----------------|
| Composition of investment return: | | |
| Interest and dividends | \$ 46,452 | \$ 19,800 |
| Realized and unrealized gain | <u>34,819</u> | <u>(16,274)</u> |
| | <u>\$ 81,271</u> | <u>\$ 3,526</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 PSCP'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 PSCP has the ability to access.

NOTE 4 - EQUIPMENT AND DEPRECIATION

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-----------------|-----------------|
| Computers and equipment | \$ 23,642 | \$ 18,186 |
| Furniture and fixtures | <u>2,489</u> | <u>2,489</u> |
| | 26,131 | 20,675 |
| Less accumulated depreciation | <u>(18,069)</u> | <u>(19,145)</u> |
| Net fixed assets | <u>\$ 8,062</u> | <u>\$ 1,530</u> |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Information technology | \$ 35,127 | \$ 21,291 |
| Patient registry | 20,000 | 10,000 |
| Research | 281,240 | 141,659 |
| Conference | <u>137,215</u> | <u>161,225</u> |
| | <u>\$ 473,582</u> | <u>\$ 334,175</u> |

Net assets with donor restrictions are available for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------------|-------------------|
| Information technology | \$ 98,385 | \$ 108,512 |
| Conference | <u>478,000</u> | <u>348,596</u> |
| | <u>\$ 576,385</u> | <u>\$ 457,108</u> |

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - COMMITMENTS

PSCP has entered certain contracts for future conference venues. These contracts contain provisions for damages upon cancellation of the events. Due to the uncertainties present from new government regulations and business practices surrounding the Covid-19 pandemic, management is confident that PSCP will not be in a position of requiring to pay cancellation penalties.

PSCP is leasing office space under a five-year noncancelable lease expiring March 2020. Total lease expense for 2019 and 2018 was \$26,172 and \$26,999 respectively.

NOTE 7 - RETIREMENT PLAN

PSCP maintains a defined contribution pension plan (the Plan) as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. The Plan offers employees who are 21 years of age and have completed 3 months of service, the opportunity to voluntarily contribute to the Plan. PSCP did not make match voluntary contributions to the Plan for the years ended December 31, 2019 and 2018.

NOTE 8 - AFFILIATE ORGANIZATION

PSCP entered in to an Affiliate Agreement in 2016 with Partners Seeking A Cure Canada, an organization registered as a Canadian not-for-profit corporation. The affiliate was formed to enable Canadian donors to receive tax credits for their donations to support the research of PSC. According to the restrictions of the affiliate's charity registration under Canadian charity law, PSC Partners Seeking A Cure Canada can only use donations to cover operating costs and to support research institutions which are included in a pre-approved list issued by the Canadian government. Research grants will be chosen per the same Scientific/Medical Advisory Committee procedures used by PSC Partners (USA).