

PSC PARTNERS SEEKING A CURE
FINANCIAL STATEMENTS
DECEMBER 31, 2020



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& 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, 2020 and 2019, 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, 2020 and 2019, 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.



June 14, 2021
Denver, Colorado

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FINANCIAL POSITION

<u>December 31,</u>	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash	\$ 64,240	\$ 130,303
Accounts receivable	38,716	21,338
Prepaid expenses	18,576	45,835
Investments	2,589,714	1,944,143
Equipment, net of accumulated depreciation	4,696	8,062
Deposits	<u>2,114</u>	<u>2,114</u>
Total Assets	<u>\$ 2,718,056</u>	<u>\$ 2,151,795</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	\$ 7,915	\$ 3,606
Note payable	<u>56,835</u>	<u>0</u>
	<u>64,750</u>	<u>3,606</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	1,443,958	1,391,804
Designated by the Board for operating reserve	<u>180,000</u>	<u>180,000</u>
	1,623,958	1,571,804
With donor restrictions	<u>1,029,348</u>	<u>576,385</u>
Total net assets	<u>2,653,306</u>	<u>2,148,189</u>
Total Liabilities and Net Assets	<u>\$ 2,718,056</u>	<u>\$ 2,151,795</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, 2020</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 709,116	\$ 612,174	\$ 1,321,290
Conference income	0	157,237	157,237
Investment income	94,589	0	94,589
Other income	12,974	0	12,974
Net assets released from restrictions	<u>316,448</u>	<u>(316,448)</u>	<u>0</u>
Total support, revenue and other gains	<u>1,133,127</u>	<u>452,963</u>	<u>1,586,090</u>
<u>Expenses</u>			
Program	935,501		935,501
General and administrative	100,812		100,812
Fundraising	<u>44,660</u>		<u>44,660</u>
Total expenses	<u>1,080,973</u>		<u>1,080,973</u>
Change in net assets	52,154	452,963	505,117
Net assets, beginning of year	<u>1,571,804</u>	<u>576,385</u>	<u>2,148,189</u>
Net assets, end of year	<u>\$ 1,623,958</u>	<u>\$ 1,029,348</u>	<u>\$ 2,653,306</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>

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, 2020</u>				
Salaries and wages	\$ 336,638	\$ 46,962	\$ 24,211	\$ 407,811
Employee benefits	9,621	1,342	693	11,656
Payroll taxes	<u>30,477</u>	<u>4,252</u>	<u>2,191</u>	<u>36,920</u>
Total compensation	376,736	52,556	27,095	456,387
Conference & meetings	66,549	5,917	1,476	73,942
Professional fees	26,180	24,929	2,156	53,265
Postage	647	50	299	996
Insurance	772	2,161	154	3,087
Grants to others	353,000	0	0	353,000
Office expense	13,851	6,386	3,573	23,810
Technology	19,338	4,393	6,020	29,751
Marketing	1,011	65	574	1,650
Occupancy	38,528	2,071	829	41,428
Patient registry	35,859	2,015	2,417	40,291
Depreciation	<u>3,030</u>	<u>269</u>	<u>67</u>	<u>3,366</u>
Total expenses	<u>\$ 935,501</u>	<u>\$ 100,812</u>	<u>\$ 44,660</u>	<u>\$ 1,080,973</u>

For the Year Ended December 31, 2019

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>

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>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from donors	\$ 1,303,912	\$ 1,008,705
Cash paid to vendors and suppliers	(1,046,039)	(902,277)
Conference and other income received	170,211	266,869
Interest and dividends received	<u>23,553</u>	<u>46,452</u>
Net cash provided by operating activities	<u>451,637</u>	<u>419,749</u>
Cash flows from investing activities		
Purchase of fixed assets	0	(9,032)
Purchase of investments	(1,169,099)	(1,136,154)
Proceeds from sale of investments	<u>594,564</u>	<u>823,200</u>
Net cash used in investing activities	<u>(574,535)</u>	<u>(321,986)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	<u>56,835</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(66,063)	97,763
Cash and cash equivalents at beginning of year	<u>130,303</u>	<u>32,540</u>
Cash and cash equivalents at end of year	<u>\$ 64,240</u>	<u>\$ 130,303</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, 2020 and 2019, 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, 2020 or 2019. PSCP's tax filings are subject to audit by various taxing authorities. PSCP's ending open audit periods are December 31, 2017 through 2020.

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.

Payroll Protection Program (PPP)

PSCP is accounting for the PPP loan using FASB ASC 470. Under this model income will be recognized only when the Small Business Administration (SBA) has forgiven the debt.

Subsequent Events

PSCP's financial statements were available to be issued on June 14, 2021, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 64,240	\$ 130,303
Accounts receivable	38,716	21,338
Investments	<u>2,589,714</u>	<u>1,944,143</u>
	<u>\$ 2,692,670</u>	<u>\$ 2,095,784</u>

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS

Investments held as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,689,723	\$ 927,870
Fixed income	140,335	361,708
Bond funds	686,446	649,477
Equities	<u>73,210</u>	<u>5,088</u>
	<u>\$ 2,589,714</u>	<u>\$ 1,944,143</u>
Composition of investment return:		
Interest and dividends	\$ 23,553	\$ 46,452
Realized and unrealized gain	<u>71,036</u>	<u>34,819</u>
	<u>\$ 94,589</u>	<u>\$ 81,271</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>2020</u>	<u>2019</u>
Computers and equipment	\$ 23,642	\$ 23,642
Furniture and fixtures	<u>2,489</u>	<u>2,489</u>
	26,131	26,131
Less accumulated depreciation	<u>(21,435)</u>	<u>(18,069)</u>
Net fixed assets	<u>\$ 4,696</u>	<u>\$ 8,062</u>

NOTE 5 - NOTE PAYABLE

	<u>2020</u>	<u>2019</u>
SBA loan under the PPP program in the amount of \$56,835, dated April 2020. The interest rate is fixed at 1%. The loan matures in April 2022. Unsecured. Management expects this note to be forgiven under the CARES Act of 2020.	<u>\$ 56,835</u>	<u>\$ 0</u>

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Information technology	\$ 29,648	\$ 35,127
Patient registry	10,000	20,000
Research	111,644	281,240
Conference	25,145	137,215
Chan Zuckerberg Initiative grant	<u>140,011</u>	<u>0</u>
	<u>\$ 316,448</u>	<u>\$ 473,582</u>

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

	<u>2020</u>	<u>2019</u>
Information technology	\$ 94,267	\$ 98,385
Conference	610,092	478,000
Chan Zuckerberg Initiative grant	<u>324,989</u>	<u>0</u>
	<u>\$ 1,029,348</u>	<u>\$ 576,385</u>

NOTE 7 - 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 three-year noncancelable lease expiring March 2023. Total lease expense for 2020 and 2019 was \$41,428 and \$26,172 respectively. Future minimum lease payments are as follows for years ending June 30:

2021	\$ 37,162
2022	38,277
2023	6,411

NOTE 8 - 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, 2020 and 2019.

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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).