PSC PARTNERS SEEKING A CURE

FINANCIAL STATEMENTS

DECEMBER 31, 2022

PSC PARTNERS
SEEKING A CURE
pscpartners.org

C O N T E N T S

Independent Auditor's Report

Board of Directors
PSC Partners Seeking A Cure
Englewood, Colorado

Opinion

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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of PSC Partners Seeking A Cure and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PSC Partners Seeking A Cure's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PSC Partners Seeking A Cure's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PSC Partners Seeking A Cure's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Rati & Associates, LLC

July 31, 2023
Denver, Colorado

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FINANCIAL POSITION

December 31,	2022	2021
Assets		
Cash	$ 105,694	$ 84,648
Accounts receivable	103,176	36,724
Promises to give	899,000	720,725
Prepaid expenses	9,669	10,749
Right of use assets, net of accumulated depreciation	8,974	44,869
Investments	3,461,387	2,728,809
Equipment, net of accumulated depreciation	5,658	11,151
Deposits	2,114	2,114
Total Assets	$ 4,595,672	$ 3,369,789
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 8,472	$ 13,536
Right of use liabilities	9,548	46,467
	18,020	60,003
Net assets		
Without donor restrictions		
Undesignated	1,576,879	1,666,539
Designated by the Board for operating reserve	180,000	180,000
	1,756,879	1,846,539
With donor restrictions	2,820,773	1,733,247
Total net assets	4,577,652	3,579,786
Total Liabilities and Net Assets	$ 4,595,672	$ 3,369,789

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

PSC PARTNERS SEEKING A CURE
STATEMENTS OF ACTIVITIES

	Without Donor Restrictions	With Donor Restrictions	Total
For the Year Ended December 31, 2022			
Support, revenue and other gains			
Contributions	$ 631,590	$ 854,866	$ 1,486,456
Non-cash contributions	201,478	328,275	529,753
Conference income	0	148,025	148,025
Investment income (loss)	(57,840)	0	(57,840)
Other income	750	0	750
Net assets released from restrictions	243,640	(243,640)	0
Total support, revenue and other gains	1,019,618	1,087,526	2,107,144
Expenses			
Program	874,729		874,729
General and administrative	165,337		165,337
Fundraising	69,212		69,212
Total expenses	1,109,278		1,109,278
Change in net assets	(89,660)	1,087,526	997,866
Net assets, beginning of year	1,846,539	1,733,247	3,579,786
Net assets, end of year	$ 1,756,879	$ 2,820,773	$ 4,577,652
For the Year Ended December 31, 2021			
Support, revenue and other gains			
Contributions	$ 692,917	$ 472,957	$ 1,165,874
Non-cash contributions	115,112	795,725	910,837
Conference income	0	15,000	15,000
Investment income (loss)	(5,325)	0	(5,325)
Other income	5,320	0	5,320
Net assets released from restrictions	579,783	(579,783)	0
Total support, revenue and other gains	1,387,807	703,899	2,091,706
Expenses			
Program	1,001,460		1,001,460
General and administrative	119,639		119,639
Fundraising	44,127		44,127
Total expenses	1,165,226		1,165,226
Change in net assets	222,581	703,899	926,480
Net assets, beginning of year	1,623,958	1,029,348	2,653,306
Net assets, end of year	$ 1,846,539	$ 1,733,247	$ 3,579,786

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

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FUNCTIONAL EXPENSES

	Program	General and Administrative	Fundraising	Totals
For the Year Ended December 31, 2022				
Salaries and wages	$ 500,863	$ 102,890	$ 42,427	$ 646,180
Employee benefits	26,040	5,349	2,206	33,595
Payroll taxes	25,245	5,186	2,137	32,568
Total compensation	552,148	113,425	46,770	712,343
Conference & meetings	64,489	5,733	1,433	71,655
Professional fees	32,553	26,750	2,681	61,984
Postage	812	62	375	1,249
Insurance	782	2,190	157	3,129
Grants to others	98,422	0	0	98,422
Office expense	8,485	4,325	2,262	15,072
Technology	58,060	8,746	12,377	79,183
Marketing	480	20	566	1,066
Occupancy	34,117	2,609	1,117	37,843
Patient registry	19,437	1,092	1,310	21,839
Depreciation	4,944	385	164	5,493
Total expenses	$ 874,729	$ 165,337	$ 69,212	$ 1,109,278
For the Year Ended December 31, 2021				
Salaries and wages	$ 434,910	$ 70,933	$ 25,835	$ 531,678
Employee benefits	24,989	4,076	1,484	30,549
Payroll taxes	32,635	5,323	1,939	39,897
Total compensation	492,534	80,332	29,258	602,124
Conference & meetings	36,181	3,217	803	40,201
Professional fees	0	18,702	0	18,702
Postage	858	66	395	1,319
Insurance	778	2,178	156	3,112
Grants to others	370,486	0	0	370,486
Office expense	13,851	6,386	3,573	23,810
Technology	23,817	5,356	7,468	36,641
Marketing	691	42	454	1,187
Occupancy	39,452	1,901	727	42,080
Patient registry	17,379	976	1,172	19,527
Depreciation	5,433	483	121	6,037
Total expenses	$ 1,001,460	$ 119,639	$ 44,127	$ 1,165,226

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,	2022	2021
Cash flows from operating activities		
Cash received from donors	$ 1,570,004	$ 1,111,031
Conference and other income received	148,775	20,320
Interest and dividends received	42,397	18,153
Cash paid to vendors and suppliers	(1,108,793)	(1,144,143)
Net cash provided by operating activities	652,383	5,361
Cash flows from investing activities		
Purchase of fixed assets	0	(12,492)
Purchase of investments	(831,011)	(416,816)
Proceeds from sale of investments	199,674	444,355
Net cash used in investing activities	(631,337)	15,047
Net increase in cash and cash equivalents	21,046	20,408
Cash and cash equivalents at beginning of year	84,648	64,240
Cash and cash equivalents at end of year	$ 105,694	$ 84,648
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Donated stock received	$ 201,478	$ 190,112
Cancellation of debt (PPP loan)	0	56,835

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

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

Organization

PSC Partners Seeking A Cure (PSCP, we, us, our) is a Colorado non-profit organization. The mission of the PSC Partners Seeking A Cure is to drive research to identify treatments and a cure for primary sclerosing cholangitis (PSC), while providing education and support for those impacted by this rare disease.

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 website provides information on PSCP and is updated frequently 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

We consider 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, 2022 and 2021, the allowance for doubtful account balance was zero.

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

Promises to Give

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of December 31, 2022 and 2021, the allowance for doubtful account balance was zero.

Equipment and Depreciation

We capitalize 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.

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 – we report 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.

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

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
PSCP is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. PSCP is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. PSCP has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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
We manage 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.

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

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. Subsequently, the FASB issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. Under Topic 842, a lessor records a lease as sales-type, direct-financing, or operating. A lease is a sales-type lease if any one of five criteria are met indicating that the lease effectively transfers control of the underlying asset to the lessee. If those five criteria are not met, but two additional criteria are both met, indicating that the lessor has transferred substantially all the risks and benefits of the underlying asset to the lessee, the lease is a direct-financing lease. All leases that are not sales-type or direct-financing leases are operating leases.

We adopted Topic 842 effective January 1, 2021 using a modified retrospective transition method with the effective date as the date of initial application. We elected the practical expedient that permitted it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs and the practical expedient to not separate lease and non-lease components for underlying equipment assets. This allows us to continue to recognize equipment lease and the related maintenance services as one combined operating lease component.

Subsequent Events

Our financial statements were available to be issued on July 31, 2023, and this is the date through which subsequent events were evaluated.

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:

	2022	2021
Cash and cash equivalents	$ 105,694	$ 84,648
Accounts receivable	103,176	36,724
Investments	3,461,387	2,728,809
Promises to give – less than one year	470,000	150,000
	$ 4,140,257	$ 3,000,181

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $180,000 as of December 31, 2022 and 2021.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows as of December 31, 2022 and 2021:

	2022	2021
Within one year	$ 470,000	$ 150,000
In one to five years	480,000	600,000
	950,000	750,000
Less discount to net present value	(51,000)	(29,275)
	$ 899,000	$ 720,725

NOTE 4 - INVESTMENTS

Investments held as of December 31 are as follows:

	2022	2021
Cash and cash equivalents	$ 2,532,406	$ 1,918,620
Bond funds	593,534	670,842
Equities	200,910	0
Fixed income	104,802	139,347
Mortgage pools	29,735	0
	$ 3,461,387	$ 2,728,809

Composition of investment return:		
Interest and dividends	$ 42,396	$ 18,153
Realized and unrealized loss	(100,237)	(23,478)
	$ (57,841)	$ (5,325)

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 5 - EQUIPMENT AND DEPRECIATION

	2022	2021
Computers and equipment	$ 21,524	$ 21,524
Furniture and fixtures	2,489	2,489
	24,013	24,013
Less accumulated depreciation	(18,355)	(12,862)
Net fixed assets	$ 5,658	$ 11,151

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Conference	$ 60,110	$ 10,000
Chan Zuckerberg Initiative grant	0	324,988
Educational program	8,995	19,095
Information technology	57,283	35,241
PROM	13,830	0
Research	98,422	190,459
WIND	5,000	0
	$ 243,640	$ 579,783

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

	2022	2021
Cellular project	$ 200,000	$ 0
Conference	703,007	615,092
Educational program	6,909	13,404
Information technology	26,743	59,026
PROM	286,170	100,000
Research	112,814	0
WIND	1,485,130	945,725
	$ 2,820,773	$ 1,733,247

NOTE 7 - NON-CASH CONTRIBUTIONS

For the years ended December 31, 2022 and 2021, non-cash contributions recognized within the statements of activities included the following:

	2022	2021
Donated stocks and other investments	$ 201,478	$ 190,112
Promises to give	328,275	720,725
	$ 529,753	$ 910,837

NOTE 8 - LEASES

We lease certain office space under a long-term non-cancelable operating lease agreement. The lease expire through March 2023. We include in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The weighted-average discount rate used was 4.25%.

NOTE 8 - LEASES (CONTINUED)

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

We elected the practical expedient to not separate lease and non-lease components for the lease.

Total right-of-use assets and lease liabilities as of December 31, 2022 and 2021 are as follows:

	2022	2021
Lease Assets		
Right of use assets, net of accumulated depreciation	$ 8,974	$ 44,869
Lease Liabilities		
Right of use lease liabilities	$ 9,548	$ 46,467

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

2023	$ 9,616
Less interest	(68)
Present value of lease liabilities	$ 9,548

NOTE 9 - RETIREMENT PLAN

We maintain 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. We did not make matching voluntary contributions to the Plan for the years ended December 31, 2022 and 2021.

NOTE 10 - AFFILIATE ORGANIZATION

PSCP entered into 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).

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

Net assets without donor restrictions as of December 31, 2021 have been adjusted for accumulated effects of implementation of ASU 2016-02, Leases. The net effect on the change was to increase other expenses by $1,598 in the statement of activities and decrease ending net assets without donor restrictions by the same amount. We recognized a total right of use assets of $80,764 and a corresponding right of use lease liability as of the inception date of the lease. The effect of the correction was to decrease the change in net assets without donor restrictions for the year ended December 31, 2021 by $1,598.

The implementation of ASU 2016-02 had the following effect on net assets as reported for December 31, 2021:

Net Assets Without Restrictions as of December 31, 2021 as originally reported	$ 1,848,137
Adjustment:	
Net book value of leased asset	44,869
Lease liability	46,467
Restated Net Assets Without Restrictions as of December 31, 2021	$ 1,846,539