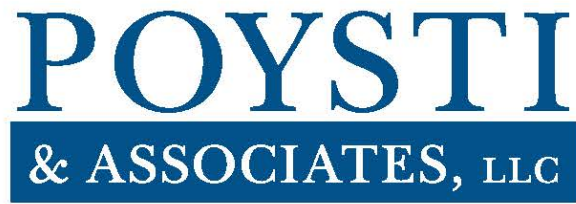


PSC PARTNERS SEEKING A CURE
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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Independent Auditor's Report

Board of Directors
PSC Partners Seeking A Cure
Englewood, Colorado

I have audited the accompanying financial statements of PSC Partners Seeking A Cure (a Colorado not-for-profit organization) as of December 31, 2017, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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, 2017, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of PSC Partners Seeking A Cure as of December 31, 2016, were audited by another accounting firm whose report dated March 17, 2017, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Perti & Associates, LLC". The signature is written in a cursive style with a large initial 'P'.

September 5, 2018
Denver, Colorado

PSC PARTNERS SEEKING A CURE
STATEMENTS OF FINANCIAL POSITION

<u>December 31,</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ 35,479	\$ 68,553
Investments	1,645,289	1,684,193
Accounts receivable	27,897	30,044
Prepaid expenses	14,124	3,837
Equipment, net of accumulated depreciation	5,533	9,818
Deposits	<u>2,114</u>	<u>2,114</u>
Total Assets	<u>\$ 1,730,436</u>	<u>\$ 1,798,559</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	<u>\$ 5,311</u>	<u>\$ 5,053</u>
Net assets		
Unrestricted	1,338,497	1,519,821
Temporarily restricted	<u>386,628</u>	<u>273,685</u>
Total net assets	<u>1,725,125</u>	<u>1,793,506</u>
Total Liabilities and Net Assets	<u>\$ 1,730,436</u>	<u>\$ 1,798,559</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, 2017:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 342,434	\$ 166,520	\$ 508,954
Conference income	0	234,762	234,762
Investment income	49,502	0	49,502
Net assets released from restrictions	<u>288,339</u>	<u>(288,339)</u>	<u>0</u>
Total support, revenue and other gains	<u>680,275</u>	<u>112,943</u>	<u>793,218</u>
<u>Expenses</u>			
Program	691,658		691,658
General and administrative	80,608		80,608
Fundraising	<u>89,333</u>		<u>89,333</u>
Total expenses	<u>861,599</u>		<u>861,599</u>
Changes in net assets	(181,324)	112,943	(68,381)
Net assets, beginning of year	<u>1,519,821</u>	<u>273,685</u>	<u>1,793,506</u>
Net assets, end of year	<u>\$ 1,338,497</u>	<u>\$ 386,628</u>	<u>\$ 1,725,125</u>
<u>For the Year Ended December 31, 2016:</u>			
<u>Support, revenue and other gains</u>			
Contributions	\$ 503,498	\$ 95,581	\$ 599,079
Conference income	0	218,585	218,585
Investment income	19,227	0	19,227
Net assets released from restrictions	<u>218,423</u>	<u>(218,423)</u>	<u>0</u>
Total support, revenue and other gains	<u>741,148</u>	<u>95,743</u>	<u>836,891</u>
<u>Expenses</u>			
Program	476,321		476,321
General and administrative	123,417		123,417
Fundraising	<u>85,761</u>		<u>85,761</u>
Total expenses	<u>685,499</u>		<u>685,499</u>
Changes in net assets	55,649	95,743	151,392
Net assets, beginning of year	<u>1,464,172</u>	<u>177,942</u>	<u>1,642,114</u>
Net assets, end of year	<u>\$ 1,519,821</u>	<u>\$ 273,685</u>	<u>\$ 1,793,506</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, 2017</u>				
Salaries and wages	\$ 127,536	\$ 36,647	\$ 51,307	\$ 215,490
Employee benefits	7,486	2,151	3,012	12,649
Payroll taxes	<u>9,648</u>	<u>2,773</u>	<u>3,882</u>	<u>16,303</u>
Total compensation	144,670	41,571	58,201	244,442
Conference & meetings	120,168	10,682	2,670	133,520
Professional fees	315	18,243	75	18,633
Postage	616	47	284	947
Insurance	412	1,156	83	1,651
Grants to others	333,000	0	0	333,000
Office expense	7,157	3,904	1,951	13,012
Technology	8,508	2,320	4,641	15,469
Marketing	30,204	0	19,616	49,820
Occupancy	25,193	1,355	542	27,090
Patient registry	17,559	987	1,184	19,730
Depreciation	<u>3,856</u>	<u>343</u>	<u>86</u>	<u>4,285</u>
Total expenses	<u>\$ 691,658</u>	<u>\$ 80,608</u>	<u>\$ 89,333</u>	<u>\$ 861,599</u>

For the Year Ended December 31, 2016

Salaries and wages	\$ 54,754	\$ 48,522	\$ 34,426	\$ 137,702
Employee benefits	4,730	3,527	2,752	11,009
Payroll taxes	<u>4,031</u>	<u>3,527</u>	<u>2,519</u>	<u>10,077</u>
Total compensation	63,515	55,576	39,697	158,788
Professional fees	5,424	10,848	1,808	18,080
Postage	222	240	461	923
Insurance	352	1,233	176	1,761
Grants to others	282,960	0	0	282,960
Office expense	6,115	5,336	3,837	15,288
Conference & meetings	71,534	33,016	5,503	110,053
Technology	8,685	6,204	9,925	24,814
Marketing	4,142	1,625	19,394	25,161
Rent	15,273	4,364	2,182	21,819
Patient registry	15,516	2,715	1,164	19,395
Depreciation	<u>2,583</u>	<u>2,260</u>	<u>1,614</u>	<u>6,457</u>
Total expenses	<u>\$ 476,321</u>	<u>\$ 123,417</u>	<u>\$ 85,761</u>	<u>\$ 685,499</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>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from donors	\$ 484,380	\$ 544,363
Cash paid to vendors and suppliers	(867,343)	(680,582)
Other income received	234,762	218,585
Interest and dividends received	<u>13,484</u>	<u>10,700</u>
Net cash provided by (used in) operating activities	<u>(134,717)</u>	<u>93,066</u>
Cash flows from investing activities		
Purchase of fixed assets	0	(3,284)
Purchase of investments	(253,357)	(195,612)
Proceeds from sale of investments	<u>355,000</u>	<u>75,000</u>
Net cash provided by (used in) investing activities	<u>101,643</u>	<u>(123,896)</u>
Net decrease in cash and cash equivalents	(33,074)	(30,830)
Cash and cash equivalents at beginning of year	<u>68,553</u>	<u>99,383</u>
Cash and cash equivalents at end of year	<u>\$ 35,479</u>	<u>\$ 68,553</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities:		
Changes in net assets	\$ (68,381)	\$ 151,392
Reconciling adjustments		
Depreciation	4,285	6,457
Gain on investments	(36,018)	(8,527)
Donated stock	(26,721)	(24,672)
Change in operating assets and liabilities:		
Accounts receivable	2,147	(30,044)
Prepaid expenses	(10,287)	(959)
Accrued liabilities and accounts payable	<u>258</u>	<u>(581)</u>
Net cash provided by (used in) operating activities	<u>\$ (134,717)</u>	<u>\$ 93,066</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

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.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and Cash Equivalents

PSCP considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

PSCP 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 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, 2017 or 2016. PSCP's tax filings are subject to audit by various taxing authorities. PSCP's ending open audit periods are December 31, 2014 through 2017.

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.

Revenue Recognition

PSCP 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

PSCP capitalizes all expenditures more than \$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 PSCP 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

PSCP's financial statements were available to be issued on September 5, 2018, and this is the date through which subsequent events were evaluated. PSCP did not identify any subsequent events requiring disclosure.

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments held as of December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,180,467	\$ 1,282,109
Fixed income	121,731	78,742
Mutual Funds-Bonds	244,340	244,467
Mutual Funds-Equities	<u>98,751</u>	<u>78,875</u>
	<u>\$ 1,645,289</u>	<u>\$ 1,684,193</u>
Composition of investment return:		
Interest and dividends	\$ 13,484	\$ 10,700
Realized and unrealized gain	<u>36,018</u>	<u>8,527</u>
	<u>\$ 49,502</u>	<u>\$ 19,227</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 3 - EQUIPMENT AND DEPRECIATION

	<u>2017</u>	<u>2016</u>
Computers and equipment	\$ 18,186	\$ 18,186
Furniture and fixtures	<u>2,489</u>	<u>2,489</u>
	20,675	20,675
Less accumulated depreciation	<u>(15,142)</u>	<u>(10,857)</u>
Net fixed assets	<u>\$ 5,533</u>	<u>\$ 9,818</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Information technology	\$ 15,469	\$ 26,048
Patient registry	400	12,308
Research	141,120	70,581
Conference	<u>131,350</u>	<u>109,486</u>
	<u>\$ 288,339</u>	<u>\$ 218,423</u>

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Information technology	\$ 104,803	\$ 95,272
Conference	<u>281,825</u>	<u>178,413</u>
	<u>\$ 386,628</u>	<u>\$ 273,685</u>

NOTE 5 - CONCENTRATIONS

Eleven percent of 2017 revenue and sixteen percent of 2016 revenue was received from the top two donors. PSCP monitors its cash flow so that it does not rely on large donations to perform its exempt purpose.

NOTE 6 - COMMITMENTS

PSCP has entered 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 PSCP will not be in a position to pay cancellation penalties.

NOTE 7 - ENDOWMENTS

PSCP does not currently possess any true endowments, or permanently restricted gift instruments. PSCP 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, 2017 and 2016 are reflected in the statements of activities.

NOTE 8 - OPERATING LEASE COMMITMENTS

PSCP is leasing office space under a five-year noncancelable lease expiring March 2020. Total lease expense for 2017 and 2016 was \$27,090 and \$21,819 respectively.

The following is a schedule of minimum future rental payments required under the above operating lease for the years ending December 31:

2018	\$ 26,533
2019	27,201
2020	6,842

PSC PARTNERS SEEKING A CURE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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. As of December 31, 2017, PSCP did not make match voluntary contributions to the Plan.

NOTE 10 - 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).