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Independent Auditors' Report

Management and Board of Directors
SARC
Ann Arbor, Michigan

We have audited the accompanying financial statements of SARC, which comprise the statement of financial position as of December 31, 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SARC as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 2 to the financial statements, SARC changed its method of accounting for net assets and functional expenses in 2018 as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the SARC 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
May 1, 2019

SARC
Statement of Financial Position
December 31, 2018
(With Sumarized Comparative Information for 2017)

	2018	2017
Assets		
Current assets		
Cash	\$ 5,121,979	\$ 6,375,272
Restricted cash	50	25,011
Accounts receivable	1,547,014	391,331
Contribution receivable	-	100,000
Prepaid expenses	14,917	34,554
Total current assets	6,683,960	6,926,168
Property and equipment, net	135,448	132,903
Total assets	\$ 6,819,408	\$ 7,059,071
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 225,503	\$ 97,872
Accrued payroll and related liabilities	6,407	5,951
Deferred revenue	38,427	104,354
Total current liabilities	270,337	208,177
Net assets		
Without donor restrictions		
Undesignated	2,828,188	4,093,632
Designated for projects in progress	317,692	320,319
Total without donor restrictions	3,145,880	4,413,951
With donor restrictions		
Purpose restrictions	3,403,191	2,436,943
Total net assets	6,549,071	6,850,894
Total liabilities and net assets	\$ 6,819,408	\$ 7,059,071

SARC
Statement of Activities
For the Year Ended December 31, 2018
(With Sumarized Comparative Information for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Support and revenue				
Contract income	\$ 535,342	\$ 288,779	\$ 824,121	\$ 2,156,859
Government grants	366,436	-	366,436	1,292,837
Donations	29,644	2,740,000	2,769,644	108,950
Miscellaneous income	16,438	-	16,438	-
Interest income	22,751	-	22,751	13,385
Realized gain on investments	27,095	-	27,095	-
Net assets released from restrictions	<u>2,062,531</u>	<u>(2,062,531)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,060,237</u>	<u>966,248</u>	<u>4,026,485</u>	<u>3,572,031</u>
Expenses				
Program services	3,056,346	-	3,056,346	3,287,918
Management and general	<u>1,271,962</u>	<u>-</u>	<u>1,271,962</u>	<u>1,231,664</u>
Total expenses	<u>4,328,308</u>	<u>-</u>	<u>4,328,308</u>	<u>4,519,582</u>
Change in net assets	(1,268,071)	966,248	(301,823)	(947,551)
Net assets beginning of year	<u>4,413,951</u>	<u>2,436,943</u>	<u>6,850,894</u>	<u>7,798,445</u>
Net assets end of year	<u>\$ 3,145,880</u>	<u>\$ 3,403,191</u>	<u>\$ 6,549,071</u>	<u>\$ 6,850,894</u>

SARC
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Sumarized Comparative Information for 2017)

	Program Services	Management and General	Total	
			2018	2017
Salaries, taxes and benefits	\$ 304,763	\$ 763,419	\$ 1,068,182	\$ 1,050,803
Clinical trial direct expenses	2,560,453	102,014	2,662,467	2,462,388
Awards	-	-	-	401
SARC SPORE commitment	1,721	-	1,721	260,000
Travel	39,209	23,259	62,468	101,286
Office expenses	26,935	31,485	58,420	96,206
Professional services	47,841	161,640	209,481	226,725
Conferences and meetings	54,286	13,934	68,220	81,644
Depreciation	-	6,677	6,677	9,552
Honorariums	3,000	-	3,000	30,250
Insurance	-	70,086	70,086	72,087
Public relations	2,080	-	2,080	2,868
Rent	-	67,472	67,472	67,472
Website	16,058	31,976	48,034	57,900
Total	\$ 3,056,346	\$ 1,271,962	\$ 4,328,308	\$ 4,519,582

SARC
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Sumarized Comparative Information for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (301,823)	\$ (947,551)
Items not requiring cash		
Depreciation	6,677	9,552
Contribution of marketable securities	(1,187,195)	-
Realized gain on sale of marketable securities	(27,095)	-
Changes in operating assets and liabilities		
Restricted cash	24,961	244,630
Accounts receivable	(1,155,683)	272,187
Contribution receivable	100,000	(100,000)
Prepaid expenses	19,637	(898)
Accounts payable	127,631	(264,559)
Accrued payroll and related liabilities	456	(170)
Deferred revenue	<u>(65,927)</u>	<u>(75,118)</u>
Net cash used by operating activities	(2,458,361)	(861,927)
Cash flows from investing activities		
Purchases of property and equipment	(9,222)	-
Cash flows from financing activities		
Proceeds from sale of contributed marketable securities	<u>1,214,290</u>	<u>-</u>
Net change in cash	(1,253,293)	(861,927)
Cash - beginning of year	<u>6,375,272</u>	<u>7,237,199</u>
Cash - end of year	<u>\$ 5,121,979</u>	<u>\$ 6,375,272</u>