



800.968.0010 | yeoandyeo.com

## **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, 2019, 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, 2019, 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 revenue recognition in 2019 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*, and changed its method of accounting for contributions in 2019 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and changed its method of accounting for restricted cash in 2019 as required by the provisions of FASB Accounting Standards Update 2016-18 *Statement of Cash Flows – Restricted Cash*. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited the SARC 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 6, 2020

**SARC**  
**Statement of Financial Position**  
**December 31, 2019**  
**(With Sumarized Comparative Information for 2018)**

	2019	2018
<b>Assets</b>		
Current assets		
Cash	\$ 4,751,604	\$ 5,121,979
Restricted cash	120,570	50
Accounts receivable	199,529	134,209
Promises to give, current portion	1,149,778	1,412,805
Prepaid expenses	11,190	14,917
Total current assets	6,232,671	6,683,960
Property and equipment, net	128,408	135,448
Promises to give, net of current portion	1,821,926	-
<b>Total assets</b>	<b>\$ 8,183,005</b>	<b>\$ 6,819,408</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 432,349	\$ 225,503
Accrued payroll and related liabilities	5,300	6,407
Deferred revenue	10,000	38,427
Total current liabilities	447,649	270,337
Net assets		
Without donor restrictions		
Undesignated	2,144,882	2,828,188
Designated for projects in progress	302,389	317,692
Total without donor restrictions	2,447,271	3,145,880
With donor restrictions		
Purpose restrictions	2,188,307	1,990,386
Time-restricted for future periods	3,099,778	1,412,805
Total with donor restrictions	5,288,085	3,403,191
Total net assets	7,735,356	6,549,071
<b>Total liabilities and net assets</b>	<b>\$ 8,183,005</b>	<b>\$ 6,819,408</b>

**SARC**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**  
**(With Sumarized Comparative Information for 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Support and revenue</b>				
Contract income	\$ 38,118	\$ 1,081,769	\$ 1,119,887	\$ 824,121
Government grants	130,301	-	130,301	366,436
Donations	22,681	3,111,262	3,133,943	2,769,644
Miscellaneous income	13,273	-	13,273	16,438
Interest income	20,314	-	20,314	22,751
Realized gain on investments	11,706	-	11,706	27,095
Net assets released from restrictions	<u>2,308,137</u>	<u>(2,308,137)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,544,530</u>	<u>1,884,894</u>	<u>4,429,424</u>	<u>4,026,485</u>
<b>Expenses</b>				
Program services	2,214,924	-	2,214,924	3,056,346
Management and general	<u>1,028,215</u>	<u>-</u>	<u>1,028,215</u>	<u>1,271,962</u>
Total expenses	<u>3,243,139</u>	<u>-</u>	<u>3,243,139</u>	<u>4,328,308</u>
Change in net assets	(698,609)	1,884,894	1,186,285	(301,823)
Net assets beginning of year	<u>3,145,880</u>	<u>3,403,191</u>	<u>6,549,071</u>	<u>6,850,894</u>
<b>Net assets end of year</b>	<u>\$ 2,447,271</u>	<u>\$ 5,288,085</u>	<u>\$ 7,735,356</u>	<u>\$ 6,549,071</u>

**SARC**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**  
**(With Sumarized Comparative Information for 2018)**

	Program Services	Management and General	Total	
			2019	2018
Salaries, taxes and benefits	\$ 357,253	\$ 592,328	\$ 949,581	\$ 1,068,182
Clinical trial direct expenses	1,692,285	85,016	1,777,301	2,664,188
Travel	31,513	609	32,122	62,468
Office expenses	31,651	24,835	56,486	58,420
Professional services	23,641	143,213	166,854	209,481
Conferences and meetings	65,647	13,262	78,909	68,220
Depreciation	-	7,040	7,040	6,677
Honorariums	2,500	-	2,500	3,000
Insurance	-	62,024	62,024	70,086
Public relations	120	-	120	2,080
Rent	-	67,472	67,472	67,472
Website	10,314	32,416	42,730	48,034
Total	<u>\$ 2,214,924</u>	<u>\$ 1,028,215</u>	<u>\$ 3,243,139</u>	<u>\$ 4,328,308</u>

**SARC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**  
**(With Sumarized Comparative Information for 2018)**

	<u>2019</u>	<u>(Restated) 2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,186,285	\$ (301,823)
Items not requiring cash		
Depreciation	7,040	6,677
Contribution of marketable securities	(518,735)	(1,187,195)
Realized gain on sale of marketable securities	(11,706)	(27,095)
Change in present value discount on promises to give	128,074	-
Changes in operating assets and liabilities		
Accounts receivable	(65,320)	118,617
Contribution receivable	-	100,000
Promises to give	(1,686,973)	(1,274,300)
Prepaid expenses	3,727	19,637
Accounts payable	206,846	127,631
Accrued payroll and related liabilities	(1,107)	456
Deferred revenue	(28,427)	(65,927)
Net cash used by operating activities	<u>(780,296)</u>	<u>(2,483,322)</u>
 <b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	(9,222)
 <b>Cash flows from financing activities</b>		
Proceeds from sale of contributed marketable securities	<u>530,441</u>	<u>1,214,290</u>
 Net change in cash	(249,855)	(1,278,254)
 Cash and restricted cash - beginning of year	<u>5,122,029</u>	<u>6,400,283</u>
 <b>Cash and restricted cash - end of year</b>	<u>\$ 4,872,174</u>	<u>\$ 5,122,029</u>
 <b>Cash and restricted cash</b>		
Cash	\$ 4,751,604	\$ 5,121,979
Restricted cash	<u>120,570</u>	<u>50</u>
 <b>Total cash and restricted cash</b>	<u>\$ 4,872,174</u>	<u>\$ 5,122,029</u>