

SARC

Financial Statements

**December 31, 2021 (With Summarized
Comparative Information for 2020)**



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Independent Auditors' Report

Management and Board of Directors
SARC
Ann Arbor, Michigan

Opinion

We have audited the accompanying financial statements of SARC (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SARC as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 SARC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are 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 auditors' report that includes our 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, we:

- 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 SARC'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 SARC's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SARC's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 12, 2022

SARC
Statement of Financial Position
December 31, 2021
(With Sumarized Comparative Information for 2020)

	2021	2020
Assets		
Current assets		
Cash	\$ 4,066,336	\$ 4,764,162
Clinical trials receivable	496,643	547,026
Promises to give, current portion	-	1,367,500
Prepaid expenses	10,073	22,372
Total current assets	4,573,052	6,701,060
Property and equipment, net	3,689	5,534
Promises to give, net of current portion	-	617,577
Total assets	\$ 4,576,741	\$ 7,324,171
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 378,433	\$ 570,483
Accrued payroll and related liabilities	19,246	12,621
Refundable advance	-	5,000
Total current liabilities	397,679	588,104
Net assets		
Without donor restrictions		
Undesignated	1,514,037	1,770,233
Designated for projects in progress	225,254	302,389
Total without donor restrictions	1,739,291	2,072,622
With donor restrictions		
Purpose restrictions	2,439,771	2,645,945
Time-restricted for future periods	-	2,017,500
Total with donor restrictions	2,439,771	4,663,445
Total net assets	4,179,062	6,736,067
Total liabilities and net assets	\$ 4,576,741	\$ 7,324,171

See Accompanying Notes to the Financial Statements

SARC
Statement of Activities
For the Year Ended December 31, 2021
(With Sumarized Comparative Information for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Support and revenue				
Clinical study revenue	\$ 23,914	\$ 2,227,611	\$ 2,251,525	\$ 1,788,847
Government grants	-	468,287	468,287	677,328
Donations	25,702	38,398	64,100	139,845
Miscellaneous income	2,033	-	2,033	939
Interest income	2,815	-	2,815	5,839
Realized loss on uncollectible promise to give	-	(1,660,393)	(1,660,393)	-
Realized gain (loss) on property and equipment	10,000	-	10,000	(121,028)
Forgiveness of PPP loan	176,562	-	176,562	136,772
Net assets released from restrictions	<u>3,297,577</u>	<u>(3,297,577)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,538,603</u>	<u>(2,223,674)</u>	<u>1,314,929</u>	<u>2,628,542</u>
Expenses				
Program services	2,755,400	-	2,755,400	2,584,861
Management and general	1,094,697	-	1,094,697	1,042,970
Fundraising	21,837	-	21,837	-
Total expenses	<u>3,871,934</u>	<u>-</u>	<u>3,871,934</u>	<u>3,627,831</u>
Change in net assets	(333,331)	(2,223,674)	(2,557,005)	(999,289)
Net assets beginning of year	<u>2,072,622</u>	<u>4,663,445</u>	<u>6,736,067</u>	<u>7,735,356</u>
Net assets end of year	<u>\$ 1,739,291</u>	<u>\$ 2,439,771</u>	<u>\$ 4,179,062</u>	<u>\$ 6,736,067</u>

See Accompanying Notes to the Financial Statements

SARC
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Sumarized Comparative Information for 2020)

	Program Services	Management and General	Fundraising	Total	
				2021	2020
Salaries, taxes and benefits	\$ 313,335	\$ 785,094	\$ -	\$ 1,098,429	\$ 1,062,221
Contracted services - clinical trials	1,728,618	-	-	1,728,618	2,003,599
Grants to other organizations	639,267	-	-	639,267	-
Travel	19	-	-	19	-
Office expenses	28,228	9,757	28	38,013	37,313
Professional services	9,681	155,561	20,995	186,237	323,682
Conferences and meetings	33,739	7,723	-	41,462	21,052
Depreciation	-	1,845	-	1,845	1,845
Honorariums	2,300	-	-	2,300	5,500
Insurance	-	60,386	-	60,386	70,020
Rent	-	-	-	-	33,736
Website	213	74,331	814	75,358	68,863
Total	<u>\$ 2,755,400</u>	<u>\$ 1,094,697</u>	<u>\$ 21,837</u>	<u>\$ 3,871,934</u>	<u>\$ 3,627,831</u>

See Accompanying Notes to the Financial Statements

SARC
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Sumarized Comparative Information for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (2,557,005)	\$ (999,289)
Items not requiring cash		
Depreciation	1,845	1,845
Realized loss on uncollectible promise to give	1,660,393	-
Realized (gain) loss on sale of property and equipment	(10,000)	121,029
Forgiveness of PPP loan	(176,562)	(136,772)
Change in present value discount on promises to give	(32,423)	(95,651)
Changes in operating assets and liabilities		
Clinical trials receivable	50,383	(347,497)
Promises to give	357,107	1,082,278
Prepaid expenses	12,299	(11,182)
Accounts payable	(192,050)	138,134
Accrued payroll and related liabilities	6,625	7,321
Refundable advance	(5,000)	(5,000)
Net cash used by operating activities	<u>(884,388)</u>	<u>(244,784)</u>
Cash flows from financing activities		
Proceeds from sale of property and equipment	10,000	-
Proceeds from PPP loan	176,562	136,772
Net cash provided by financing activities	<u>186,562</u>	<u>136,772</u>
Net change in cash	(697,826)	(108,012)
Cash - beginning of year	<u>4,764,162</u>	<u>4,872,174</u>
Cash - end of year	<u>\$ 4,066,336</u>	<u>\$ 4,764,162</u>

See Accompanying Notes to the Financial Statements

SARC
Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for 2020)

Note 1 - Organization

SARC (the "Organization") is a private nonprofit organization that receives and administers funds for the development and support of research for the prevention, treatment and cures of sarcomas – a cancer of the bone and connective tissue of the body. Through the collaboration with its members, the Organization provides a forum for working together to develop new strategies including the dissemination of up-to-date information about sarcoma research with the goal of improving the treatment and outcome for sarcoma patients.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. These accounting principles conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

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 – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all highly liquid investments held in demand deposit accounts with an original maturity of less than three months to be considered cash and cash equivalents. At December 31, 2021, \$169,279 of the Organization's actual bank balance of \$4,095,679 was uninsured by the FDIC.

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Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for 2020)

Clinical Trials Receivable

Clinical trials receivable is stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on clinical trials receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of its customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has not made any allowance for probable uncollectible amounts.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization initially records unconditional promises to give at fair value using the income approach and subsequently amortizes them using the original discount rate. If the original promise to give is due in less than one year it is recorded at net realizable value.

Revenue Recognition

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.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

When the contract or agreement does not require or make mention to the status of unused monies, the revenue is recognized when the restriction has been completed. The revenue is considered with restrictions until used for that particular program at which time the restriction is released. If at the completion of the program there are remaining unused funds, the restriction is released and the funds are transferred into net assets without restrictions (general operations).

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. All amounts are expected to be utilized in the next fiscal year.

Property and Equipment

The Organization's fixed assets are stated at cost. Donated assets are capitalized at fair value at the date of donation. The Organization's capitalization policy is to capitalize any assets over \$5,000. The Organization's depreciation policy utilizes the "Half-Year Convention" for the year of acquisition and the straight-line method for all subsequent years.

Refundable Advance

Refundable advances consist of monies received related to conditions to be met in the future.

Paycheck Protection Program (PPP) Loan

The Organization accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 Debt. Interest is accrued throughout the life of the loan, even when no payments are currently due. Upon forgiveness the Organization recognized forgiveness of debt (including unpaid interest) as revenue on the statement of activities at December 31, 2021 and 2020.

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Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for 2020)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits. Salaries and benefits are allocated based on a time and cost study of where efforts are made.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Organization has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

Subsequent Events

Subsequent events were evaluated through May 12, 2022, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash	\$ 4,066,336	\$ 4,764,162
Clinical trials receivable	496,643	547,026
Promises to give	-	1,985,077
Total financial assets - end of year	4,562,979	7,296,265
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	2,439,771	4,663,445
Board designations:		
Amounts set aside for trials	225,254	302,389
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,897,954	\$ 2,330,431

The Organization's goal is generally to maintain financial assets to meet one year of operating expenses.

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Notes to the Financial Statements
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(With Summarized Comparative Information for 2020)

Note 4 - Promises to Give

Promises to give are scheduled to be collected as follows:

	2021	2020
2021	\$ -	\$ 1,367,500
2022	-	650,000
	-	2,017,500
Less discount to net present value	-	(32,423)
Total promises to give	\$ -	\$ 1,985,077

The promises to give are recorded use the original discount rate of 5.25%.

Promises to give activity for December 31 is detailed as follows:

	2021	2020
Balance beginning of the year	\$ 2,017,500	\$ 3,099,778
Less collections	(357,107)	(1,082,278)
Less uncollectible pledges	(1,660,393)	-
Balance end of the year	\$ -	\$ 2,017,500

The impact of instrument-specific credit risk on promises to give was not material for the years ended December 31, 2021 and 2020.

Note 5 - Conditional Promises to Give

During fiscal year ended December 31, 2021, the Organization received conditional promises to give related to federal and non-federal grants. Payment of the grants is contingent upon meeting certain barriers such as the progress of studies, spending the funds for the designated allowable purpose or various compliance requirements in accordance with 2 CFR 200. The conditional promises to give consisted of the following as of December 31, 2021 and 2020:

Funding Source	Condition/ Grant Purpose	Contract/Grant Amount	Spent to Date	Conditional Promise to Give
Department of Defense	Sarcoma testing/research	\$ 1,038,460	\$ 878,561	\$ 159,899
Bayer Pharmaceuticals	Sarcoma testing/research	2,938,172	2,405,080	533,092
GlaxoSmithKline LLC	Sarcoma testing/research	1,637,031	1,252,980	384,051
Merck Sharp & Dohme	Sarcoma testing/research	1,000,000	585,087	414,913
Duke University	Sarcoma testing/research	1,500,000	1,229,114	270,886
Janssen Pharmaceuticals	Sarcoma testing/research	600,000	385,112	214,888
National Institute of Health	Sarcoma testing/research	1,863,994	638,560	1,225,434
Bayer Pharmaceuticals	Sarcoma testing/research	2,060,082	330,763	1,729,319
CHLA Gateway/PhaseOne	Sarcoma testing/research	1,029,811	66,984	962,827
Lilly	Sarcoma testing/research	4,156,905	444,606	3,712,299
		\$ 17,824,455	\$ 8,216,847	\$ 9,607,608

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Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for 2020)

Note 6 - Property and Equipment

Property and equipment are as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Estimate Useful Life</u>
Computer equipment	\$ 152,876	\$ 152,876	3-5 years
Furniture and fixtures	-	82,549	3-7 years
Total cost	152,876	235,425	
Accumulated depreciation	(149,187)	(229,891)	
Property and equipment, net	<u>\$ 3,689</u>	<u>\$ 5,534</u>	

The Organization did not renew their building lease during the year ended December 31, 2020 and the related leasehold improvements were disposed at December 31, 2020.

Note 7 - Letter of Credit

The Organization has a letter of credit with a bank, as required by the Michigan Unemployment Insurance Agency for the purpose of self-funding unemployment claims. The letter is renewed annually. The letter of credit allows the Organization to borrow up to \$26,854 and as of December 31, 2021 the letter of credit had not been drawn on.

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Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for 2020)

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Clinical Trials	\$ 1,386,578	\$ 842,608
NIH Specialized Programs of Research Excellence (SPOREs)	29,073	97,728
Semi-Annual Research Meetings	71,247	99,553
Chawla-Rosenfeld Symposium	35,722	35,722
Primary Vascular Program	8,892	8,892
Leiomyosarcoma: New Targets, New Therapies, New Models	-	661,610
Pulmonary Artery Sarcoma	19,259	19,259
Unified Database	525,641	577,369
Sarcoma Advisory Council	-	64,686
Career Development Program	155,975	150,000
Osteosarcoma and Ewing sarcoma datasets	116,462	8,684
Immunotherapy in Sarcoma	-	13,778
Sarcoma Coalition	-	3,368
Sarcoma Research Council	71,669	40,623
Epithelioid Sarcoma in Adolescents and Young Adults	19,253	22,065
	<u>2,439,771</u>	<u>2,645,945</u>
Subject to the passage of time:		
Leiomyosarcoma: New Targets, New Therapies, New Models	-	1,950,000
Sarcoma Advisory Council	-	67,500
	<u>-</u>	<u>2,017,500</u>
	<u>\$ 2,439,771</u>	<u>\$ 4,663,445</u>

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Notes to the Financial Statements
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(With Summarized Comparative Information for 2020)

Note 9 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions and satisfaction of purpose restrictions:		
Leiomyosarcoma: New Targets, New Therapies, New Models	\$ 951,217	\$ 903,504
Sarcoma Advisory Council	132,186	94,812
Satisfaction of purpose restrictions:		
Clinical Trials	1,940,426	1,811,712
NIH Specialized Programs of Research Excellence (SPOREs)	68,655	52,272
Semi-Annual Research Meetings	35,806	27,506
Chawla-Rosenfeld Symposium	-	2,000
Unified Database	59,185	70,523
Career Development Program	-	50,000
Osteosarcoma and Ewing sarcoma datasets	65,210	11,316
Immunotherapy in Sarcoma	13,778	35,501
Sarcoma Coalition	9,348	27,632
Sarcoma Research Council	18,954	22,377
Epithelioid Sarcoma in Adolescents and Young Adults	<u>2,812</u>	<u>12,687</u>
	<u>\$ 3,297,577</u>	<u>\$ 3,121,842</u>

Note 10 - Board Designated Net Assets

The Organization's board designates amounts for specific purposes during the year. Since the amounts resulted from internal designation and are not donor-restricted, the amounts are reported as designated for projects in progress. The following is a summary of designated balances as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Developmental Therapeutics	\$ 118,474	\$ 210,589
Scientific Symposium	91,800	91,800
Scientific Leadership	14,980	-
Total	<u>\$ 225,254</u>	<u>\$ 302,389</u>

Note 11 - Retirement Plan

The Organization has adopted a defined contribution retirement plan with John Hancock, which allows employees to defer compensation (pretax and post-tax) up to the amount allowed by the Internal Revenue Service. The plan also allows the Organization, as employer, to make matching contributions. Employees are eligible make contributions on the first day of employment and become eligible to receive matching

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(With Summarized Comparative Information for 2020)

contributions after 12 months of employment. The Organization contributes a two for one matching contribution for each employee who contributes to the plan up to the first 5% of their compensation.

The following is a summary of the plan's assets for December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total assets, beginning of year	\$ 1,628,400	\$ 1,273,461
Employer contributions	58,269	73,632
Employee contributions	44,497	52,343
Investment gain	336,264	256,244
Distributions	(1,296,524)	(12,436)
Administration fees	<u>(19,390)</u>	<u>(14,844)</u>
 Total assets, end of year	 <u>\$ 751,516</u>	 <u>\$ 1,628,400</u>