

SARC

Financial Statements

**December 31, 2022 (With Summarized
Comparative Information for 2021)**

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
April 5, 2023

SARC
Statement of Financial Position
December 31, 2022
(With Sumarized Comparative Information for 2021)

	2022	2021
Assets		
Current assets		
Cash	\$ 610,364	\$ 4,066,336
Investments	2,999,173	-
Clinical trials receivable	782,135	496,643
Prepaid expenses	41,964	10,073
Total current assets	4,433,636	4,573,052
Property and equipment, net	1,524	3,689
Total assets	\$ 4,435,160	\$ 4,576,741
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 449,842	\$ 378,433
Accrued payroll and related liabilities	10,239	19,246
Total current liabilities	460,081	397,679
Net assets		
Without donor restrictions		
Undesignated	1,403,589	1,514,037
Designated for projects in progress	91,800	225,254
Total without donor restrictions	1,495,389	1,739,291
With donor restrictions		
Purpose restrictions	2,479,690	2,439,771
Total net assets	3,975,079	4,179,062
Total liabilities and net assets	\$ 4,435,160	\$ 4,576,741

See Accompanying Notes to the Financial Statements

SARC
Statement of Activities
For the Year Ended December 31, 2022
(With Sumarized Comparative Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Support and revenue				
Clinical study revenue	\$ -	\$ 2,587,185	\$ 2,587,185	\$ 2,251,525
Government grants	-	564,362	564,362	468,287
Donations	70,691	89,034	159,725	64,100
Miscellaneous income	3,546	-	3,546	2,033
Realized loss on uncollectible promise to give	-	-	-	(1,660,393)
Investment income, net	4,779	-	4,779	1,485
Realized gain on sale of property and equipment	-	-	-	10,000
Forgiveness of PPP loan	-	-	-	176,562
Net assets released from restrictions	3,200,662	(3,200,662)	-	-
Total support and revenue	<u>3,279,678</u>	<u>39,919</u>	<u>3,319,597</u>	<u>1,313,599</u>
Expenses				
Program services	2,421,269	-	2,421,269	2,754,070
Management and general	947,392	-	947,392	1,094,697
Fundraising	154,919	-	154,919	21,837
Total expenses	<u>3,523,580</u>	<u>-</u>	<u>3,523,580</u>	<u>3,870,604</u>
Change in net assets	(243,902)	39,919	(203,983)	(2,557,005)
Net assets beginning of year	<u>1,739,291</u>	<u>2,439,771</u>	<u>4,179,062</u>	<u>6,736,067</u>
Net assets end of year	<u>\$ 1,495,389</u>	<u>\$ 2,479,690</u>	<u>\$ 3,975,079</u>	<u>\$ 4,179,062</u>

See Accompanying Notes to the Financial Statements

SARC
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Sumarized Comparative Information for 2021)

	Program Services	Management and General	Fundraising	Total	
				2022	2021
Salaries, taxes and benefits	\$ 205,539	\$ 699,701	\$ 78,805	\$ 984,045	\$ 1,098,429
Contracted services - clinical trials	2,073,026	-	-	2,073,026	1,728,618
Grants to other organizations	-	-	-	-	639,267
Travel	20,819	-	-	20,819	19
Office expenses	44,646	7,816	11,498	63,960	36,683
Professional services	140	56,069	46,216	102,425	186,237
Conferences and meetings	73,161	30,603	7,797	111,561	41,462
Depreciation	-	2,165	-	2,165	1,845
Honorariums	-	-	-	-	2,300
Insurance	-	57,044	-	57,044	60,386
Miscellaneous	1,738	-	-	1,738	-
Website	2,200	93,994	10,603	106,797	75,358
Total	\$ 2,421,269	\$ 947,392	\$ 154,919	\$ 3,523,580	\$ 3,870,604

See Accompanying Notes to the Financial Statements

SARC
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Sumarized Comparative Information for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (203,983)	\$ (2,557,005)
Items not requiring cash		
Depreciation	2,165	1,845
Realized loss on uncollectible promise to give	-	1,660,393
Unrealized gain on investments	(11,441)	-
Realized loss on sale of investments	18,992	-
Realized gain on sale of property and equipment	-	(10,000)
Forgiveness of PPP loan	-	(176,562)
Change in present value discount on promises to give	-	(32,423)
Changes in operating assets and liabilities		
Clinical trials receivable	(285,492)	50,383
Promises to give	-	357,107
Prepaid expenses	(31,891)	12,299
Accounts payable	71,409	(192,050)
Accrued payroll and related liabilities	(9,007)	6,625
Refundable advance	-	(5,000)
Net cash used by operating activities	<u>(449,248)</u>	<u>(884,388)</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	10,000
Purchase of investments	<u>(3,006,724)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(3,006,724)</u>	<u>10,000</u>
Cash flows from financing activities		
Proceeds from PPP loan	<u>-</u>	<u>176,562</u>
Net change in cash	(3,455,972)	(697,826)
Cash - beginning of year	<u>4,066,336</u>	<u>4,764,162</u>
Cash - end of year	<u>\$ 610,364</u>	<u>\$ 4,066,336</u>

See Accompanying Notes to the Financial Statements

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

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 statement of activities as net assets released from restrictions.

Comparative Financial Information

The financial information for the year ended December 31, 2021 is presented for comparative purposes and is not intended to be a complete financial statement presentation.

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, 2022, \$128,837 of the Organization's actual bank balance of \$598,935 was uninsured by the FDIC.

Investments

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

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

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

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.

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.

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.

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.

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.

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

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.

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.

Date of Management's Review

Subsequent events were evaluated through April 5, 2023, 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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 610,364	\$ 4,066,336
Investments	2,999,173	-
Clinical trials receivable	<u>782,135</u>	<u>496,643</u>
 Total financial assets - end of year	 4,391,672	 4,562,979
 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	2,479,690	2,439,771
 Board designations:		
Amounts set aside for trials	<u>91,800</u>	<u>225,254</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,820,182</u>	 <u>\$ 1,897,954</u>

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

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

Note 4 - Investments

Fair value of debt and equity securities with fair values determined by Level 1 inputs using quoted prices in active markets for identical assets at December 31, 2022 and 2021 consist of:

	<u>2022</u>	<u>2021</u>
Available for sale		
Government cash reserves	\$ 3,985	\$ -
U.S. Treasury bills	<u>2,995,188</u>	<u>-</u>
	<u>\$ 2,999,173</u>	<u>\$ -</u>

Investment income is composed of the following at December 31:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 12,713	\$ 2,815
Realized gain (loss)	(18,992)	-
Unrealized gain (loss)	11,441	-
Less: investment fees	<u>(383)</u>	<u>(1,330)</u>
Total investment income	<u>\$ 4,779</u>	<u>\$ 1,485</u>

Note 5 - Promises to Give

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

	<u>2022</u>	<u>2021</u>
Balance beginning of the year	\$ -	\$ 2,017,500
Less collections	-	(357,107)
Less uncollectible pledges	<u>-</u>	<u>(1,660,393)</u>
Balance end of the year	<u>\$ -</u>	<u>\$ -</u>

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

Note 6 - Conditional Promises to Give

During fiscal year ended December 31, 2022, 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, 2022:

Funding Source	Condition/ Grant Purpose	Contract/Grant Amount	Spent to Date	Conditional Promise to Give
Department of Defense	Sarcoma testing/research	\$ 1,021,260	\$ 930,549	\$ 90,711
Bayer Pharmaceuticals	Sarcoma testing/research	2,938,172	2,433,496	504,676
Merck Sharp & Dohme	Sarcoma testing/research	1,000,000	606,669	393,331
Duke University	Sarcoma testing/research	1,812,500	1,270,366	542,134
Janssen Pharmaceuticals	Sarcoma testing/research	950,000	651,666	298,334
National Institute of Health	Sarcoma testing/research	2,022,769	1,039,160	983,609
Bayer Pharmaceuticals	Sarcoma testing/research	2,060,082	692,322	1,367,760
CHLA Gateway/PhaseOne	Sarcoma testing/research	1,029,811	349,609	680,202
Lilly	Sarcoma testing/research	4,156,905	1,284,926	2,871,979
		<u>\$ 16,991,499</u>	<u>\$ 9,258,763</u>	<u>\$ 7,732,736</u>

Note 7 - Property and Equipment

Property and equipment are as follows as of December 31, 2022 and 2021:

	2022	2021	Estimate Useful Life
Computer equipment	\$ 152,876	\$ 152,876	3-5 years
Accumulated depreciation	(151,352)	(149,187)	
Property and equipment, net	<u>\$ 1,524</u>	<u>\$ 3,689</u>	

Note 8 - 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 \$14,653 and as of December 31, 2022 the letter of credit had not been drawn on.

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

Note 9 - 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Developmental Therapeutics	\$ -	\$ 118,474
Scientific Symposium	91,800	91,800
Scientific Leadership	-	14,980
Total	<u>\$ 91,800</u>	<u>\$ 225,254</u>

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Clinical Trials	\$ 1,818,231	\$ 1,386,578
NIH Specialized Programs of Research Excellence (SPOREs)	2,535	29,073
Primary Vascular Program	-	8,892
Pulmonary Artery Sarcoma	-	19,259
Unified Database	488,760	525,641
Career Development Program	55,975	155,975
Osteosarcoma and Ewing sarcoma datasets	-	116,462
Sarcoma Research Council	92,602	71,669
Member Scientific Meetings	21,587	106,969
Epithelioid Sarcoma in Adolescents and Young Adults	-	19,253
	<u>\$ 2,479,690</u>	<u>\$ 2,439,771</u>

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

Note 11 - 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions and satisfaction of purpose restrictions:		
Leiomyosarcoma: New Targets, New Therapies, New Models	\$ -	\$ 951,217
Sarcoma Advisory Council	-	132,186
Satisfaction of purpose restrictions:		
Clinical Trials	2,621,648	1,940,426
NIH Specialized Programs of Research Excellence (SPOREs)	26,538	68,655
Member Scientific Meetings	92,882	35,806
Catalyst Award	50,000	-
Thomas Bradley Allen	19,259	-
Primary Vascular Program	8,892	-
Unified Database	36,881	59,185
Career Development Program	99,999	-
Osteosarcoma and Ewing sarcoma datasets	214,709	65,210
Immunotherapy in Sarcoma	-	13,778
Sarcoma Coalition	-	9,348
Sarcoma Research Council	10,601	18,954
Epithelioid Sarcoma in Adolescents and Young Adults	19,253	2,812
	<u>\$ 3,200,662</u>	<u>\$ 3,297,577</u>

SARC
Notes to the Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

Note 12 - 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 to make contributions on the first day of employment and become eligible to receive matching 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total assets, beginning of year	\$ 751,516	\$ 1,628,400
Employer contributions	64,424	58,269
Employee contributions	41,650	44,497
Transfer of assets	20,458	-
Investment gain	(131,961)	336,264
Distributions	(75,163)	(1,296,524)
Administration fees	<u>(8,113)</u>	<u>(19,390)</u>
Total assets, end of year	<u>\$ 662,811</u>	<u>\$ 751,516</u>