

FOUNDATION FOR SARCOIDOSIS RESEARCH

FINANCIAL STATEMENTS

YEARS ENDED

DECEMBER 31, 2015 AND 2014



Board of Trustees
Foundation for Sarcoidosis Research
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of **FOUNDATION FOR SARCOIDOSIS RESEARCH** (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 whether the financials 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, 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 **FOUNDATION FOR SARCOIDOSIS RESEARCH** as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Sassetti LLC

Oak Park, Illinois
June 7, 2016

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 131,870	\$ 1,058,227
Investments	1,587,031	602,139
Accounts receivable	8,234	6,223
Prepaid expenses and deposits	6,987	3,987
Property and equipment, net	<u>3,744</u>	<u>5,616</u>
Total Assets	<u>\$ 1,737,866</u>	<u>\$ 1,676,192</u>
LIABILITIES		
Accounts payable	\$ 17,741	\$ 4,862
Grants payable	<u>360,000</u>	<u>-</u>
Total Liabilities	<u>377,741</u>	<u>4,862</u>
NET ASSETS		
Unrestricted	<u>1,360,125</u>	<u>1,671,330</u>
Total Net Assets	<u>1,360,125</u>	<u>1,671,330</u>
Total Liabilities and Net Assets	<u>\$ 1,737,866</u>	<u>\$ 1,676,192</u>

The accompanying notes are an integral part
of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES AND OTHER SUPPORT		
Contributions	\$ 773,178	\$ 534,484
Investment (loss) income	(32,617)	99,696
Total Revenues and Other Support	740,561	634,180
EXPENSES		
Programs		
Education and awareness	161,988	137,311
Research	635,167	126,057
General and administrative	100,754	75,527
Fundraising	153,857	103,714
Total Expenses	1,051,766	442,609
CHANGE IN NET ASSETS	(311,205)	191,571
NET ASSETS -		
Beginning of year	1,671,330	1,479,759
End of year	\$ 1,360,125	\$ 1,671,330

The accompanying notes are an integral part of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Education and Awareness	Research	Total	General and Administrative	Fundraising	Totals
	\$	\$	\$	\$	\$	\$
Research grants	90,067	495,191	495,191	38,600	38,600	495,191
Salaries, taxes and employee benefits	1,034	90,067	180,134	2,008	2,008	257,334
Advertising	8,095	1,034	2,068	9,502	9,502	6,084
Professional fees	12,872	8,095	16,190	5,517	5,517	35,194
Fees and licenses	1,453	12,872	25,744	623	623	36,778
Insurance	795	1,453	2,906	1,543	1,543	4,152
Lease	422	795	1,590	295	295	4,676
Other	15,904	84	506	41	41	842
Postage and printing	3,998	3,181	19,085	1,590	11,132	31,807
Rent	5,853	3,998	7,996	7,760	7,760	23,516
Special events	811	-	5,853	5,853	46,826	58,532
Supplies	4,257	676	1,487	405	811	2,703
Technology	1,285	1,729	5,986	3,060	4,257	13,303
Telephone	4,548	1,285	2,570	2,494	2,494	7,558
Travel	515	4,548	9,096	369	2,827	12,292
Utilities	652	515	1,030	1,000	1,000	3,030
Website	9,427	217	869	217	362	1,448
Meetings and conferences	-	9,427	18,854	18,300	18,300	55,454
Depreciation	-	-	-	1,872	-	1,872
	\$ 161,988	\$ 635,167	\$ 797,155	\$ 100,754	\$ 153,857	\$ 1,051,766

The accompanying notes are an integral part of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Education and Awareness	Research	Total	General and Administrative	Fundraising	Totals
Research grants	\$ -	\$ 3,191	\$ 3,191	\$ -	\$ -	\$ 3,191
Salaries, taxes and employee benefits	86,331	86,331	172,662	36,999	36,999	246,660
Advertising	810	810	1,620	1,573	1,573	4,766
Professional fees	4,894	4,894	9,788	5,743	5,743	21,274
Fees and licenses	8,113	8,113	16,226	3,476	3,476	23,178
Insurance	1,265	1,265	2,530	542	542	3,614
Lease	500	500	1,000	971	971	2,942
Other	423	85	508	42	296	846
Postage and printing	10,324	2,065	12,389	1,032	7,227	20,648
Rent	3,920	3,920	7,840	7,609	7,609	23,058
Special events	2,551	-	2,551	2,551	20,408	25,510
Supplies	730	608	1,338	365	729	2,432
Technology	2,899	1,178	4,077	2,085	2,899	9,061
Telephone	1,120	1,120	2,240	2,175	2,175	6,590
Travel	7,566	7,566	15,132	613	4,703	20,448
Utilities	647	647	1,294	1,256	1,256	3,806
Website	2,180	726	2,906	726	1,211	4,843
Meetings and conferences	3,038	3,038	6,076	5,897	5,897	17,870
Depreciation	-	-	-	1,872	-	1,872
	\$ 137,311	\$ 126,057	\$ 263,368	\$ 75,527	\$ 103,714	\$ 442,609

The accompanying notes are an integral part
of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (311,205)	\$ 191,571
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Unrealized loss (gain) on investments	170,264	(32,592)
Depreciation	1,872	1,872
Changes in operating assets and liabilities -		
Accounts receivable	(2,011)	(164)
Prepaid expenses and deposits	(3,000)	-
Accounts payable	12,879	172
Grants payable	360,000	-
	<u>228,799</u>	<u>160,859</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,727,496)	(57,173)
Proceeds from sales of investments	2,572,340	48,188
	<u>(1,155,156)</u>	<u>(8,985)</u>
Net Cash Used In Investing Activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(926,357)	151,874
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,058,227</u>	<u>906,353</u>
End of year	<u>\$ 131,870</u>	<u>\$ 1,058,227</u>

The accompanying notes are an integral part
of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Foundation - The Foundation for Sarcoidosis Research (The "Foundation") is a not-for-profit corporation. The purposes of the Foundation are to improve care for sarcoidosis patients and to find a cure for sarcoidosis by supporting and promoting research, education and advocacy related to sarcoidosis. Programs are funded by donations, fundraising events, grants, contributions and earnings on investments.

Basis of Presentation - As required by the generally accepted accounting principles for Not-for-Profit accounting, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporarily or permanently restricted net assets at December 31, 2015 and 2014.

Accounts and Pledges Receivable - The Foundation reviews receivables and determines the need for an allowance for doubtful accounts based on management's experience and information. As of December 31, 2015 and 2014, no allowance for uncollectible accounts was considered necessary.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Contributions are transactions in which the transfer of asset is nonreciprocal and voluntary. Contributions are recorded when the transfer becomes unconditional. Contributions of assets are reported at the estimated fair market value of the asset on the date of the gift.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All cost related to research grants awarded are expensed in the period in which the grant was approved.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - Investments in equity securities with readily determinable fair values and all debt securities are measured at their fair value in the Statement of Financial Position, and unrealized gains and losses are recorded in the Statement of Activities.

Grants Payable - The Organization records grants payable in the period the grant is awarded.

Income Taxes - The Foundation is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the Organization has taken any uncertain positions that more likely than not would not be sustained upon examination by the internal Revenue Service or other applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that there are no uncertain positions taken or expected to be taken as of December 31, 2015. Thus, no provision for income tax has been provided for in the financial statements. The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Cash Flow Information - For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. No cash was paid for income taxes or interest during the years ended December 31, 2015 and 2014.

Restricted Cash - Per Illinois state gaming law, the Foundation is required to keep a separate bank account for gaming. For years ended December 31, 2015 and 2014, there was \$3,773, respectively, in that account.

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets of five to seven years. The Foundation capitalizes amounts of \$1,000 or greater.

Concentrations - The Foundation maintains its cash balances at various financial institutions. The balance may, at times, exceed federally insured credit limits. The Foundation maintains money market accounts at financial institutions that are not covered by federally insured credit limits.

Subsequent Events - The Organization has evaluated subsequent events through June 7, 2016, the date of the financial statements.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

2. INVESTMENTS

The Foundation follows generally accepted accounting principles associated with fair value measurements and disclosure. Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Foundation considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles related to fair value disclosure also establish a fair value hierarchy that requires the Foundation to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

- | | |
|---------|--|
| Level 1 | - quoted prices in active markets for identical assets or liabilities; |
| Level 2 | - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or |
| Level 3 | - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. |

The following summarizes the classification of investments by classification and method of valuation:

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

2. INVESTMENTS - CONTINUED

Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 9,243	\$ -	\$ -	\$ 9,243
Fixed income mutual funds	485,369	-	-	485,369
Exchange-traded funds	601,603	-	-	601,603
Equity mutual funds	490,816	-	-	490,816
	<u>\$ 1,587,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,587,031</u>

Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
Common stock	\$ 97,662	\$ -	\$ -	\$ 97,662
Equity mutual funds	504,477	-	-	504,477
	<u>\$ 602,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,139</u>

Investment (losses) income consisted of the following at December 31:

	2015	2014
Interest and dividends	\$ 42,960	\$ 20,652
Realized gain on sale of investments	94,687	46,452
Unrealized (loss) gain on fair market value	(170,264)	32,592
	<u>\$ (32,617)</u>	<u>\$ 99,696</u>

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amount reported in the Statement of Financial Position. All investments are valued based on quoted market prices.

3. PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost and consisted of the following at year end December 31, 2015 and 2014:

	2015	2014
Website development	\$ 9,360	\$ 9,360
Less accumulated depreciation	(5,616)	(3,744)
	<u>\$ 3,744</u>	<u>\$ 5,616</u>

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

4. LEASE

The Foundation leases its office space which commenced on July 1, 2012 and ends on May 31, 2018. Rent expense was \$23,516 and \$23,058 for the years ended December 31, 2015 and 2014, respectively. The lease has a maximum rent expense of \$2,125 per month.

Future base rental minimum lease payments for the next four years are as follows:

Years ending December 31,	
2016	\$ 24,456
2017	25,190
2018	<u>14,875</u>
	<u>\$ 64,521</u>

5. GRANTS PAYABLE

During the year ended December 31, 2015, the Foundation awarded \$495,191 in research grants, of which \$360,000 is payable in future years as follows:

Years ending December 31,	
2016	\$ 240,000
2017	<u>120,000</u>
	<u>\$ 360,000</u>