



**Foundation for Sarcoidosis  
Research**

Financial Statements

*December 31, 2023 and 2022*

FOUNDATION FOR SARCOIDOSIS RESEARCH  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Foundation for Sarcoidosis Research  
Chicago, Illinois

### **Opinion**

We have audited the accompanying financial statements of Foundation for Sarcoidosis Research, which comprise the statement of financial position as of December 31, 2023, and the related statement 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 Foundation for Sarcoidosis Research as of December 31, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foundation for Sarcoidosis Research 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 Foundation for Sarcoidosis Research's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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 Foundation for Sarcoidosis Research'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 Foundation for Sarcoidosis Research'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.

**Other Matter**

The December 31, 2022 financial statements were audited by other auditors, whose report dated August 21, 2023 on those statements was unmodified.

A handwritten signature in black ink that reads "Sassetti LLC".

Oak Brook, Illinois  
June 5, 2024

FOUNDATION FOR SARCOIDOSIS RESEARCH  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 959,707	\$ 814,262
Investments	4,403,647	3,660,714
Accounts receivable	7,284	94,700
Pledges receivable, net	244,575	288,243
Employee Retention Credit receivable	78,139	-
Prepaid expenses and deposits	49,489	70,934
Property and equipment, net	54	1,001
Total Assets	\$ 5,742,895	\$ 4,929,854
<b>LIABILITIES</b>		
Accounts payable	\$ 142,399	\$ 209,856
Grants payable	313,500	175,000
Total Liabilities	455,899	384,856
<b>NET ASSETS</b>		
Without donor restrictions	4,205,506	3,345,460
With donor restrictions	1,081,490	1,199,538
Total Net Assets	5,286,996	4,544,998
Total Liabilities and Net Assets	\$ 5,742,895	\$ 4,929,854

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

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions	\$ 1,283,366	\$ 349,521	\$ 1,632,887	\$ 911,737	\$ 500	\$ 912,237
Grants	457,490	-	457,490	363,363	-	363,363
Memberships	20,070	-	20,070	170,000	-	170,000
Special events	130,400	-	130,400	-	-	-
Patient events	15,037	-	15,037	15,607	-	15,607
Program service fees	217,830	-	217,830	171,425	-	171,425
Employee Retention Credit	196,935	-	196,935	-	-	-
Miscellaneous income	13,013	-	13,013	1,799	-	1,799
Investment return, net	524,014	-	524,014	(739,516)	-	(739,516)
Net assets released from restrictions	467,569	(467,569)	-	463,909	(463,909)	-
Total Revenues and Other Support	<u>3,325,724</u>	<u>(118,048)</u>	<u>3,207,676</u>	<u>1,358,324</u>	<u>(463,409)</u>	<u>894,915</u>
<b>EXPENSES</b>						
Programs						
Education and awareness	1,256,486	-	1,256,486	870,670	-	870,670
Research	510,781	-	510,781	648,599	-	648,599
General and administrative	427,603	-	427,603	230,673	-	230,673
Fundraising	270,808	-	270,808	253,484	-	253,484
Total Expenses	<u>2,465,678</u>	<u>-</u>	<u>2,465,678</u>	<u>2,003,426</u>	<u>-</u>	<u>2,003,426</u>
<b>CHANGE IN NET ASSETS</b>	860,046	(118,048)	741,998	(645,102)	(463,409)	(1,108,511)
<b>NET ASSETS</b>						
Beginning of year	<u>3,345,460</u>	<u>1,199,538</u>	<u>4,544,998</u>	<u>3,990,562</u>	<u>1,662,947</u>	<u>5,653,509</u>
End of year	<u>\$ 4,205,506</u>	<u>\$ 1,081,490</u>	<u>\$ 5,286,996</u>	<u>\$ 3,345,460</u>	<u>\$ 1,199,538</u>	<u>\$ 4,544,998</u>

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

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2023

	Education and Awareness	Research	Total	General and Administrative	Fundraising	Totals
Advertising	\$ 5,430	\$ -	\$ 5,430	\$ -	\$ -	\$ 5,430
Bank and transaction fees	-	-	-	1,674	21,223	22,897
Contract services	118,586	1,623	120,209	17,564	4,867	142,640
Depreciation	-	-	-	947	-	947
Dues and subscription	7,912	-	7,912	6	9,242	17,160
Insurance	3,111	707	3,818	1,265	518	5,601
Merchandise cost	406	-	406	-	-	406
Office expenses	7,697	1,749	9,446	3,129	1,279	13,854
Patient events	144,749	-	144,749	-	-	144,749
Postage and printing	48,209	1,094	49,303	4,343	4,872	58,518
Professional fees	2,648	602	3,250	81,624	440	85,314
Rent	19,345	4,398	23,743	7,866	3,212	34,821
Research grants	16,206	309,000	325,206	-	-	325,206
Research programs	37,228	9,000	46,228	-	-	46,228
Special events						
Food and beverage	13,368	-	13,368	-	25,949	39,317
Facilities	7,726	-	7,726	-	14,997	22,723
Event planner	8,500	-	8,500	-	16,500	25,000
Other	13,763	-	13,763	-	26,716	40,479
Salaries, taxes, and employee benefits	676,229	153,754	829,983	274,965	112,282	1,217,230
Technology	74,667	17,325	91,992	13,602	20,290	125,884
Telephone	3,021	687	3,708	1,228	502	5,438
Travel	47,686	10,842	58,528	19,390	7,918	85,836
	<u>\$ 1,256,486</u>	<u>\$ 510,781</u>	<u>\$ 1,767,267</u>	<u>\$ 427,603</u>	<u>\$ 270,808</u>	<u>\$ 2,465,678</u>

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

FOUNDATION FOR SARCOIDOSIS RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2022

	Education and Awareness	Research	Total	General and Administrative	Fundraising	Totals
Advertising	\$ 10,418	\$ -	\$ 10,418	\$ -	\$ -	\$ 10,418
Bank and transaction fees	1,306	-	1,306	212	34,112	35,630
Contract services	139,536	-	139,536	-	-	139,536
Depreciation	1,631	1,631	3,262	1,874	1,329	6,465
Dues and subscription	10,255	-	10,255	-	5,967	16,222
Equipment rental	3,137	3,137	6,274	2,789	2,556	11,619
Insurance	1,522	1,522	3,044	1,352	1,241	5,637
Merchandise cost	149	-	149	-	-	149
Office expenses	-	-	-	13,196	-	13,196
Other expenses	704	335	1,039	545	844	2,428
Patient events	50,272	-	50,272	-	-	50,272
Postage and printing	34,967	-	34,967	2,054	-	37,021
Professional fees	-	-	-	68,792	-	68,792
Rent	15,031	15,031	30,062	13,361	12,248	55,671
Research grants	-	354,750	354,750	-	-	354,750
Research programs	-	40,780	40,780	-	-	40,780
Salaries, taxes, and employee benefits	570,786	219,296	790,082	89,446	170,116	1,049,644
Technology	18,742	8,926	27,668	14,528	22,471	64,667
Telephone	2,352	2,352	4,704	2,090	1,916	8,710
Travel	9,023	-	9,023	19,687	-	28,710
Utilities	839	839	1,678	747	684	3,109
	<u>\$ 870,670</u>	<u>\$ 648,599</u>	<u>\$ 1,519,269</u>	<u>\$ 230,673</u>	<u>\$ 253,484</u>	<u>\$ 2,003,426</u>

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



FOUNDATION FOR SARCOIDOSIS RESEARCH  
STATEMENTS OF CASH FLOWS  
DECEMBER 31, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 741,998	\$ (1,108,511)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	947	6,465
Realized loss on investments	166,761	79,275
Discount on long-term pledges	13,534	-
Unrealized (gain) loss on investments	(570,330)	754,165
(Increase) decrease in operating assets		
Pledges and accounts receivable	117,550	168,589
Employee Retention Credit receivable	(78,139)	-
Prepaid expenses and deposits	21,445	(47,619)
Increase (decrease) in operating liabilities		
Accounts payable	(67,457)	22,990
Agency funds due	-	(51,166)
Grants payable	138,500	62,500
	<u>484,809</u>	<u>(113,312)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,400,758)	(476,930)
Proceeds from sales of investments	2,061,394	601,158
	<u>(339,364)</u>	<u>124,228</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	145,445	10,916
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>814,262</u>	<u>803,346</u>
End of year	<u>\$ 959,707</u>	<u>\$ 814,262</u>

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

# FOUNDATION FOR SARCOIDOSIS RESEARCH

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

### 1. 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, earned revenue, and earnings on investments.

Basis of Presentation - These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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.

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

Accounts Receivable – Accounts receivable are stated at their unpaid balances. The Foundation records specific reserves against account balances deemed at-risk when a potential loss is likely or imminent as a result of prolonged payment delinquency and where notable credit deterioration has become evident. For receivables that are not currently deemed at-risk, an allowance is recorded based on expected loss rates derived pursuant to the Foundation's Current Expected Credit Loss (CECL) methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable. There is no provision for credit losses at December 31, 2023 and 2022, as management considers all accounts to be fully collectible.

Pledges Receivable - Pledges receivable are recorded in the fiscal year in which the notification of an unconditional pledge is received and then are classified as with or without donor restrictions, depending on the existence and/or nature of donor restrictions.

Management provides for probable allowance for pledges receivable based on historical information and its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledge receivable. As of

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

December 31, 2023 and 2022, no allowance for doubtful accounts was considered necessary.

Pledges expected to be collected in other than the next fiscal year are recorded after being discounted to the anticipated net present value of the future cash flows. The discount rates used were 4.06% and 2.42% at December 31, 2023 and 2022, respectively. The Foundation has recorded a discount on pledges receivable of \$16,675 and \$3,141 for the years ended December 31, 2023 and 2022, respectively.

Employee Retention Credit Receivable – The Employee Retention Credit (ERC) was enacted in 2020 under the CARES Act and was significantly expanded and extended by the American Rescue Plan Act. The purpose of this refundable credit is to help businesses keep employees on payroll by offsetting some of the associated costs. ERC is conditional on the Foundation meeting certain employer eligibility criteria, as well as incurring qualifying expenses with specific per-employee caps. As such, the Foundation is accounting for the ERC as a conditional government grant under prescribed accounting guidance. For the year ended December 31, 2023, the Foundation met the conditions on eligibility and incurred qualified costs, which entitled it to an ERC of \$196,935. The credit is reported as Employee Retention Credit on the Statements of Activities for the year ended December 31, 2023, and the receivable amount of \$79,139 is reported in Employee Retention Credit receivable on the Statements of Financial Position for the year ended December 31, 2023. There was no ERC related revenue or receivable for the year ended December 31, 2022.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Leases - The Foundation determines if an arrangement is or contains a lease at inception. The Foundation classifies leases as either operating or finance leases at the commencement date of the lease. A lease is classified as a finance lease if any of the five criteria are met: (1) ownership transfers at the end of the lease term, (2) there is an option to purchase the underlying assets and the lessee is reasonably certain to exercise the option, (3) the term of the lease is for a major part of the remaining economic life of the underlying assets, (4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying assets, or (5) the underlying assets are of such a specialized nature that they are expected to have no alternative use to the lessor at the end of the lease term. Leases that do not meet any of the five criteria above for a finance lease are classified as operating leases.

# FOUNDATION FOR SARCOIDOSIS RESEARCH

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

The Foundation recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Foundation does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Foundation are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Foundation has elected the practical expedient to utilize the risk-free rate based on asset class.

The Foundation does not have any significant lease assets or liabilities as of December 31, 2023 and 2022.

Grants Payable – Grants payable are recorded as liabilities once an unconditional grant is awarded, or once the grantee fulfills the required conditions of a conditional grant. Grants payable at December 31, 2023 and 2022, are generally payable in the subsequent year; however, there could be instances where progress by the grantee requires the anticipated payment time frame to be revised.

Classification of Net Assets - Net assets of the Foundation are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

*Net assets without donor restrictions* - are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

*Net assets with donor restrictions* - consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Foundation reports gifts of cash or other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition – The Foundation generally measures exchange revenue based on the amount of consideration the Foundation expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Foundation satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Foundation evaluates its revenue contracts with

# FOUNDATION FOR SARCOIDOSIS RESEARCH

## NOTES TO THE FINANCIAL STATEMENTS

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customers (i.e., earned revenue) based on the five-step model under Revenue from Contracts with Customers (Topic 606): (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

*Program service fee revenue* - from activities such as grant management, is recognized when services are rendered. Contracts related to program service fees generally include one performance obligation. Any payments received prior to services being rendered are deferred for recognition in future periods. See Note 2 for disaggregation of revenue.

*Contributions* - may include gifts of cash, collection items, or promises to give and are considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributed income that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

*Special event and patient event revenues* - are recorded as deferred revenue when received and recognized as earned when the underlying event occurs.

*Memberships* – are recorded similar to contributions in that the donors receive no substantial financial benefit for the cost of their membership.

Contributions of Nonfinancial Assets - Donated services are recognized as contributions at their fair value at the date of donation if the services create or enhance nonfinancial assets or require specialized skills and would otherwise be purchased by the Foundation. Donated materials are recorded as contributions at their fair values at the date of donation. For the years ended December 31, 2023 and 2022, contributions of nonfinancial assets consisted of donated professional services in the amount of \$2,613 and \$1,800, respectively. The Foundation valued the services received at its estimated cost based on a number of hours of services and standard billing rates provided by the service provider. The donations were restricted for management and general and program, respectively, for the years ended December 31, 2023 and 2022.

Functional Expense Allocation – The Statement of Functional Expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of that functional area. Costs that benefit multiple functional areas are allocated across program, management and general, and fundraising expenses based on functional salary and contract labor expenses. Salary and

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

contract labor expenses are attributed to a functional area based on estimates of time and effort reported by personnel each pay period.

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 Foundation 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 Foundation and has concluded that there are no uncertain positions taken or expected to be taken as of December 31, 2023. Thus, no provision for income tax has been provided for in the financial statements. The Foundation's Forms 990, Return of Foundation 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 Statements of Cash Flows, the Foundation considers all 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, 2023 and 2022.

Recently Adopted Accounting Pronouncements – As of January 1, 2023, the Foundation adopted Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Statements* Accounting Standards Codification (ASC 326) using the modified retrospective method. Financial results after January 1, 2023 are presented under ASC 326 while prior periods continue to be reported in accordance with previously applicable generally accepted accounting principles. The guidance significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through the change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to guidance in ASC 326 for the periods presented are accounts receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures.

Reclassification – Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Subsequent Events – Management of the Foundation has evaluated subsequent events through June 5, 2024, which is the date the financial statements were available to be issued.

2. DISAGGREGATED REVENUE

The following table shows the Foundation’s revenue disaggregated according to the timing of the transfer of goods and services for the years ending December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time		
Patient events	\$ 15,037	\$ 15,607
Special event revenue	130,400	-
Total revenue recognized at a point in time	<u>145,437</u>	<u>15,607</u>
Revenue recognized over time		
Program service fees	<u>217,830</u>	<u>171,425</u>
Total earned revenue	<u>\$ 363,267</u>	<u>\$ 187,032</u>

The beginning and ending contract balances were as follows:

	<u>January 1, 2023</u>	<u>December 31, 2023</u>
Accounts Receivable	<u>\$ 94,700</u>	<u>\$ 7,284</u>
	<u>January 1, 2022</u>	<u>December 31, 2022</u>
Accounts Receivable	<u>\$ 30,000</u>	<u>\$ 94,700</u>

3. 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.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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:

Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 2,602,409	\$ -	\$ -	\$ 2,602,409
Corporate fixed income bonds	1,670,779	-	-	1,670,779
Mutual funds	130,459	-	-	130,459
	<u>\$ 4,403,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,403,647</u>

Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 1,935,462	\$ -	\$ -	\$ 1,935,462
Corporate fixed income bonds	552,109	-	-	552,109
Mutual funds	1,172,104	-	-	1,172,104
Common stock	1,039	-	-	1,039
	<u>\$ 3,660,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,660,714</u>



FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 Statements of Financial Position. All investments are valued based on quoted market prices.

4. JOINT COSTS

During the year ended December 31, 2023, the Foundation incurred joint costs of \$127,519 for a special event that included program activities. The Foundation allocated \$84,163 of the total joint costs to fundraising expense and \$43,356 of the total joint costs to program expense.

5. PLEDGES RECEIVABLE

Pledges are due to be received as follows, for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 61,250	\$ 291,384
Receivable in one to five years	<u>200,000</u>	<u>-</u>
Total pledges receivable	261,250	291,384
Discounts to net present value of 4.06% and 2.42% at 2023 and 2022, respectively	<u>(16,675)</u>	<u>(3,141)</u>
Pledges receivable, net	<u>\$ 244,575</u>	<u>\$ 288,243</u>

FOUNDATION FOR SARCOIDOSIS RESEARCH

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6. INVESTMENT RETURN

Investment income consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 143,978	\$ 119,287
Realized loss on sale of investments	(166,761)	(79,275)
Unrealized gain (loss) on fair market value	570,330	(754,165)
Less: investment management fees	<u>(23,533)</u>	<u>(25,363)</u>
Investment return, net	<u>\$ 524,014</u>	<u>\$ (739,516)</u>

7. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Website development	\$ 38,862	\$ 38,860
Equipment	<u>6,841</u>	<u>6,841</u>
	45,703	45,701
Less accumulated depreciation	<u>(45,649)</u>	<u>(44,700)</u>
	<u>\$ 54</u>	<u>\$ 1,001</u>

8. LEASES

The Foundation leases its Washington, D.C office space under a yearly lease agreement dated July 28, 2022. The lease commenced on September 1, 2022 and expired August 31, 2023. A new lease was signed August 2, 2023. The lease commenced on September 1, 2023, and expires August 31, 2024. Future base rental minimum lease payments for the Washington, D.C. lease are \$8,200.

The Foundation has a month-to-month agreement for its Chicago office space dated September 16, 2022. The agreement commenced on October 11, 2022, and expired October 31, 2023. A new agreement was signed July 10, 2023. The agreement commenced on November 1, 2023, and expires October 31, 2024. There were no future minimum lease payments for financial reporting purposes for this lease at December 31, 2022.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

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Rent expense was \$34,821 and \$55,671 for the years ended December 31, 2023 and 2022, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
<u>Amounts subject to expenditure</u>		
<u>for a specified purpose or time</u>		
Accelerating research impact	\$ 120,000	\$ 120,000
10-Year Strategic Vision Campaign	436,395	593,863
Patient Focused Drug Development (PFDD)	22,310	-
Diversity, Equity, and Inclusion	32,537	-
Artificial intelligence research	25,000	-
Research	211,923	485,675
Time restriction	250,000	-
Pledge discount	(16,675)	-
Total net assets with donor restrictions	<u>\$ 1,081,490</u>	<u>\$ 1,199,538</u>

Net assets released according to donor restrictions during the years ended December 31:

	<u>2023</u>	<u>2022</u>
DeRisking drug development	\$ -	\$ 65,000
10-Year Strategic Vision Campaign	157,469	288,206
Patient support	17,690	-
Diversity, equity, and inclusion	12,463	-
Research	279,947	110,703
Total net assets released from restrictions	<u>\$ 467,569</u>	<u>\$ 463,909</u>

10. 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.

As of December 31, 2023, approximately 11% of the Foundation's revenue was received from one donor, and 82% of pledges receivable are due to be received from a single donor.

FOUNDATION FOR SARCOIDOSIS RESEARCH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

As of December 31, 2022, approximately 21% of the Foundation's revenue was received from one donor, and 32% of pledges receivables are due to be received from a single donor.

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over the next 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Foundation's financial assets available within one year of the Statements of Financial Position date for general expenditure are as follows, at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 959,707	\$ 814,262
Investments	4,403,647	3,660,714
Accounts receivable	7,284	94,700
Pledges receivable, net	61,250	288,243
Employee Retention Credit receivable	<u>78,139</u>	<u>-</u>
Total financial assets available in less than one year:	5,510,027	4,857,919
Less: amounts unavailable for general expenditures due to donor restriction:	<u>(898,165)</u>	<u>(999,538)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,611,862</u>	<u>\$ 3,858,381</u>