



NEPHCURE KIDNEY INTERNATIONAL

FINANCIAL STATEMENTS

DECEMBER 31, 2015

NEPHCURE KIDNEY INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

April 18, 2016

To the Board of Directors
NephCure Kidney International
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of NephCure Kidney International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 Organization'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.

To the Board of Directors
NephCure Kidney International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NephCure Kidney International as of December 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited NephCure Kidney International's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 709,348	\$ 457,739
Contributions receivable	156,940	338,700
Prepaid expenses and other assets	23,747	31,187
Certificates of deposit	-	218,507
TOTAL CURRENT ASSETS	<u>890,035</u>	<u>1,046,133</u>
NONCURRENT ASSETS		
Property and equipment, net of depreciation	47,602	50,165
Noncurrent contributions receivable, net	311,305	470,190
TOTAL NONCURRENT ASSETS	<u>358,907</u>	<u>520,355</u>
TOTAL ASSETS	<u>\$ 1,248,942</u>	<u>\$ 1,566,488</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 55,380	\$ 16,831
Short-term grants payable	527,988	899,564
Note payable	-	625,000
Deferred revenues	-	29,723
TOTAL CURRENT LIABILITIES	<u>583,368</u>	<u>1,571,118</u>
NONCURRENT LIABILITIES		
Long-term grants payable, net	-	46,471
Total Liabilities	<u>583,368</u>	<u>1,617,589</u>
NET ASSETS (DEFICIT):		
Unrestricted		
Operating (deficit)	(381,291)	(1,081,706)
Board-designated	152,500	152,500
Donor-advised funds	157,516	167,810
Total unrestricted deficit	<u>(71,275)</u>	<u>(761,396)</u>
Temporarily restricted	736,849	710,295
Total Net Assets (Deficit)	<u>665,574</u>	<u>(51,101)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 1,248,942</u>	<u>\$ 1,566,488</u>

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Totals
	2015	2014	2014
REVENUE, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 683,185	\$ 485,188	\$ 871,216
In-kind services	42,621	-	2,959,690
Special event revenue, net of direct expenses of \$315,450	1,874,004	-	1,621,175
Investment income	316	-	1,671
Gains on restructuring of grants awarded	390,625	-	-
Other	-	-	65,000
Net assets released from restriction	<u>2,990,751</u>	<u>485,188</u>	<u>5,518,752</u>
	<u>458,634</u>	<u>(458,634)</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>3,449,385</u>	<u>26,554</u>	<u>5,518,752</u>
EXPENSES:			
Program services	2,187,265	-	5,229,003
Support services	570,688	-	697,683
Direct benefits to donors	1,311	-	2,119
TOTAL EXPENSES	<u>2,759,264</u>	<u>-</u>	<u>5,928,805</u>
CHANGE IN NET ASSETS	690,121	26,554	(410,053)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(761,396)</u>	<u>710,295</u>	<u>358,952</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (71,275)</u>	<u>\$ 736,849</u>	<u>\$ (51,101)</u>

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Summarized Comparative Totals for 2014)

	Program Services			Support Services			Direct Benefits to Donors	Totals	
	Research	Health and Education	NephCure Accelerating Cures Institute	Total Program Services	Fund Raising	Management and General		Total Support Services	2015
Payroll and related costs	\$ 529,966	\$ 397,475	\$ -	\$ 927,441	\$ 165,614	\$ 11,041	\$ -	\$ 1,104,096	\$ 1,304,728
Bank charges	58	58	-	116	58	3,709	-	3,883	3,078
Conferences and meetings	10,192	18,928	-	29,120	-	-	-	29,120	19,802
Consultants and professional fees	3,387	58,712	-	62,099	7,904	42,905	-	112,908	161,798
Contracted services	3,540	2,384	188,897	194,821	1,084	217	-	196,122	49,596
Depreciation	-	-	-	-	-	9,388	-	9,388	3,686
Insurance	-	-	-	-	-	10,631	-	10,631	17,341
Interest	-	-	-	-	-	7,537	-	7,537	6,158
Marketing	-	34,474	-	34,474	-	-	-	34,474	2,745,179
Occupancy	34,568	22,124	-	56,692	10,370	2,074	-	69,136	88,267
Office and program supplies	41,088	140,638	23,357	205,083	-	43,099	-	248,182	258,511
Patient family education	7,145	21,436	-	28,581	-	-	-	28,581	81,741
Research grants	295,719	-	-	295,719	-	-	-	295,719	692,360
Technology	69,144	98,778	-	167,922	19,756	9,878	-	197,556	139,898
Telephone	5,269	9,485	429	15,183	2,635	176	-	17,994	6,933
Travel	6,459	57,483	3,071	67,013	-	646	-	67,659	11,168
Other	15,928	87,073	-	103,001	87,074	134,892	-	326,278	338,561
TOTAL EXPENSES	\$ 1,022,463	\$ 949,048	\$ 215,754	\$ 2,187,265	\$ 294,495	\$ 276,193	\$ 1,311	\$ 2,759,264	\$ 5,928,805

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 716,675	\$ (410,053)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,388	3,686
Unrealized gain on investments	-	(1,671)
Gain on restructuring of grants awarded	(390,625)	
Decrease in contributions receivable	337,365	41,850
Increase in discount on contributions receivable	3,280	4,787
Decrease in prepaid expenses	7,440	74,496
Increase (Decrease) in accounts payable and accrued expenses	38,549	(81,038)
Decrease in grants payable	(27,422)	(648,084)
Decrease in deferred revenues	(29,723)	(26,898)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>664,927</u>	<u>(1,042,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(6,825)	(53,851)
Sale of investments	218,507	236
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>211,682</u>	<u>(53,615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of debt	-	725,000
Repayment of debt	(625,000)	(100,000)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES:	<u>(625,000)</u>	<u>625,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	251,609	(471,540)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>457,739</u>	<u>929,279</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 709,348</u>	<u>\$ 457,739</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,537</u>	<u>\$ 6,158</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE A PURPOSE OF THE ORGANIZATION

NephCure Kidney International (the "Organization") is a nonprofit organization founded in 2000. The Organization's mission is to seek a cause and cure for Nephrotic Syndrome and Focal Segmental Glomerulosclerosis ("FSGS"). The Organization provides financial support for research, conducts advocacy and outreach initiatives, and provides educational programs for patient/families, physicians, and other medical professionals.

Effective December 21, 2015, the Organization founded NephCure Accelerating Cures Institute, LLC, a wholly-owned subsidiary. Effective January 1, 2016, NephCure Accelerating Cures Institute, LLC will operate the NephCure Accelerating Cures Institute, a new program of the Organization which began in 2015. NephCure Accelerating Cures Institute, LLC did not have any financial activity in 2015.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Organization 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. In addition, the Organization is required to present a statement of cash flows. Board-designated assets consist of amounts designated for future projects and grants.

Contributions

In accordance with the section of FASB ASC regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Equipment and Depreciation

Acquisitions of equipment in excess of \$1,000 are capitalized. Equipment is stated at cost if purchased. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Expenditures for maintenance and repairs are charged to expense as incurred. Cost of renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities.

The cost of equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives of equipment for purposes of calculating depreciation are five years.

Certificates of Deposit

Certificates of deposit are reported at fair value with gains and losses included in the statement of activities. Interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are classified as unrestricted.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing Costs

The Organization markets to promote its various programs to the public. The marketing costs are expensed when incurred.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Comparative Amounts

The financial statements include certain prior year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C CONTRIBUTIONS RECEIVABLE

At December 31, 2015, contributions receivable have anticipated cash receipts of the following:

Less than one year	\$ 156,940
One to five years	337,500
	<u>494,440</u>
Less discount to net present value (5%)	<u>26,195</u>
	<u>\$ 468,245</u>

NOTE D GRANTS PAYABLE

Unconditional grants promised but unpaid at year-end are reported as liabilities. Grants authorized and payable were \$527,988 at December 31, 2015. All grants payable are due within one year or less.

Gain on Restructuring of Grants Awarded

During 2015, the Organization renegotiated certain grants payable. Under the revised terms, the payment of these grants is contingent on the future performance of activities as allowed under the grant agreements. The Organization recognized a gain of \$390,625 as a result of the restructuring of these grants.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE E INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Income tax returns of the Organization for 2012, 2013, and 2014 are subject to examination by tax authorities, generally for three years after they were filed.

NOTE F PROPERTY AND EQUIPMENT

At December 31, 2015, property and equipment consisted of the following:

Equipment	\$ 60,676
Less: accumulated depreciation	<u>(13,074)</u>
	<u>\$ 47,602</u>

Depreciation expense totaled \$9,388 for the year ended December 31, 2015.

NOTE G RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2015 related to contracts, grants, and contributions received by the Organization are as follows:

	<u>2014</u>	<u>Additions</u>	<u>Released</u>	<u>2015</u>
Purpose restrictions:				
Greifer program for retrospective studies	\$ 52,100	\$ -	\$ (52,100)	\$ -
NephCure Accelerating Cures Institute	-	405,188	(215,754)	189,434
International Podocyte Conference	-	80,000	-	80,000

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE G RESTRICTIONS ON NET ASSETS (cont'd)

	<u>2014</u>	<u>Additions</u>	<u>Released</u>	<u>2015</u>
Time restrictions:				
Retrophin grant	652,085	-	(190,780)	461,305
Beneficial interest in charitable remainder trusts	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>6,110</u>
Total	<u>\$ 710,295</u>	<u>\$ 485,188</u>	<u>\$ (458,634)</u>	<u>\$ 736,849</u>

NOTE H DONOR-ADVISED FUND

Unrestricted net assets include \$157,516 of donor-advised funds as of December 31, 2015. Although grant recommendations are accepted from the donors or other advisors of these funds, the Organization has variance power; that is, the ultimate discretion of the use of these funds lies with the Organization. As a result, these donor-advised funds represent unrestricted net assets of the Organization.

NOTE I CONCENTRATION OF CREDIT RISK

The Organization maintains multiple cash accounts. At December 31, 2015, these accounts are covered under the Federal Deposit Insurance Corporation ("FDIC") and are insured by the FDIC up to \$250,000. At December 31, 2015, the Organization had \$393,887 of uninsured balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE J RELATED PARTY NOTE PAYABLE

The Organization entered into an agreement to borrow the principal sum of \$725,000 with interest on the outstanding principal balance at an interest rate of 2.00 percent per annum from a Board member on July 29, 2014. As of December 31, 2015, the Organization had repaid the note. Interest expense for 2015 was \$7,537.

NOTE K CONCENTRATIONS

At December 31, 2015, 99 percent of the outstanding contributions receivable of the Organization is due from one organization in the form of a multi-year pledge. Additionally, for the year ended December 31, 2015, 11 percent of revenue, gains, and other support was received from one organization.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE L DONATED SERVICES AND IN-KIND CONTRIBUTIONS

The Organization recognizes professional donated services and in-kind contributions at their fair value. All donated professional services recognized required specialized skills that would have been purchased if they were not donated.

The fair value of donated services and in-kind contributions included as support in the financial statements and the corresponding expenses for the year ended December 31, 2015 are as follows:

Community education services	\$ 23,282
Grant review services	14,055
Special event donations	<u>5,284</u>
Total Expenses	<u>\$ 42,621</u>

NOTE M 401(k) PLAN

All full-time employees who have completed one year of employment are eligible to participate in the Insperity 401(k) Plan, a defined contribution plan which is offered by Insperity, the Organization's professional employer organization. Eligible employees may make either pre-tax or Roth salary deferral contributions to the Plan, including catch-up contributions, from one percent to 80 percent of their eligible compensation each pay period. Contributions of up to six percent of eligible compensation are matched at 50 percent by the Organization. The Organization contributed \$12,832 to the Plan during 2015.

NOTE N OPERATING LEASES

The Organization has leases for office space and a copier. The leasing arrangements expire in various years through 2020 and have varying renewal options. Rental payments during 2015 totaled \$61,518.

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 109,666
2017	111,967
2018	112,472
2019	113,875
2020	<u>57,512</u>
	<u>\$ 505,492</u>

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE O SUBSEQUENT EVENTS

As described in Note A, the NephCure Accelerating Cures Institute program was transferred to NephCure Accelerating Cures Institute, LLC, effective January 1, 2016.

The Organization has evaluated all subsequent events through April 18, 2016, the date the financial statements were available to be issued.