



NEPHCURE

Kidney International

Saving Kidneys • Saving Lives

**NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)

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INDEPENDENT AUDITOR'S REPORT

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September 17, 2015

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

We have audited the accompanying financial statements of NephCure Kidney International (formerly The NephCure Foundation, a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 (formerly The NephCure Foundation) as of December 31, 2014, 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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 457,739
Contributions receivable	338,700
Prepaid expenses and other assets	31,187
Certificates of deposit	218,507
TOTAL CURRENT ASSETS	<u>1,046,133</u>

NONCURRENT ASSETS

Property and equipment, net of depreciation	50,165
Noncurrent contributions receivable, net	470,190
TOTAL NONCURRENT ASSETS	<u>520,355</u>

TOTAL ASSETS

\$ 1,566,488

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 16,831
Short-term grants payable	899,564
Note payable	625,000
Deferred revenue	29,723
TOTAL CURRENT LIABILITIES	<u>1,571,118</u>

NONCURRENT LIABILITIES

Long-term grants payable, net	46,471
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Total Liabilities

1,617,589

NET ASSETS (DEFICIT):

Unrestricted

Operating (deficit)	(1,081,706)
Board designated	152,500
Donor advised funds	167,810
Total unrestricted deficit	<u>(761,396)</u>
Temporarily restricted	710,295
Total Net Assets (Deficit)	<u>(51,101)</u>

TOTAL LIABILITIES AND NET ASSETS (DEFICIT)

\$ 1,566,488

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

**NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT:			
Contributions	\$ 871,216	\$ -	\$ 871,216
In-kind services	2,959,690	-	2,959,690
Special event revenue, net of direct expenses of \$613,856	1,621,175	-	1,621,175
Investment income	1,671	-	1,671
Other	65,000	-	65,000
	<u>5,518,752</u>		<u>5,518,752</u>
Net assets released from restriction	38,415	(38,415)	-
	<u>5,557,167</u>	<u>(38,415)</u>	<u>5,518,752</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT			
EXPENSES:			
Program services	5,229,003	-	5,229,003
Support services	697,683	-	697,683
Direct benefits to donors	2,119	-	2,119
	<u>5,928,805</u>		<u>5,928,805</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS			
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(371,638)	(38,415)	(410,053)
	<u>(389,758)</u>	<u>748,710</u>	<u>358,952</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (761,396)</u>	<u>\$ 710,295</u>	<u>\$ (51,101)</u>

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

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services			Support Services			Direct Benefits to Donors	Total
	Research	Health and Education	Total Program Services	Fund Raising	Management and General	Total Support Services		
Salaries	\$ 548,062	\$ 411,046	\$ 959,108	\$ 171,269	\$ 11,418	\$ 182,687	\$ -	\$ 1,141,795
Payroll taxes	46,867	35,150	82,017	14,646	976	15,622	-	97,639
Employee benefits	31,341	23,506	54,847	9,794	653	10,447	-	65,294
Total Salaries and Related Expenses	626,270	469,702	1,095,972	195,709	13,047	208,756	-	1,304,728
Bank charges	46	46	92	46	2,940	2,986	-	3,078
Conferences and meetings	6,931	12,871	19,802	-	-	-	-	19,802
Consultants and professional fees	4,854	84,135	88,989	11,326	61,483	72,809	-	161,798
Contracted services	24,302	16,367	40,669	7,439	1,488	8,927	-	49,596
Depreciation	-	-	-	-	3,686	3,686	-	3,686
Insurance	-	-	-	-	17,341	17,341	-	17,341
Interest	-	-	-	-	6,158	6,158	-	6,158
Marketing	-	2,745,179	2,745,179	-	-	-	-	2,745,179
Occupancy	44,134	28,245	72,379	13,240	2,648	15,888	-	88,267
Office and program supplies	49,117	160,277	209,394	-	49,117	49,117	-	258,511
Patient family education	20,435	61,306	81,741	-	-	-	-	81,741
Research grants	692,360	-	692,360	-	-	-	-	692,360
Technology	48,964	69,949	118,913	13,990	6,995	20,985	-	139,898
Telephone	2,080	3,744	5,824	1,040	69	1,109	-	6,933
Travel	1,117	9,939	11,056	-	112	112	-	11,168
Other	27,048	19,585	46,633	51,742	238,067	289,809	2,119	338,561
TOTAL EXPENSES	\$ 1,547,658	\$ 3,681,345	\$ 5,229,003	\$ 294,532	\$ 403,151	\$ 697,683	\$ 2,119	\$ 5,928,805

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

**NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (410,053)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,686
Unrealized gain on investments	(1,671)
Decrease in contributions receivable	41,850
Increase in discount on contributions receivable	4,787
Decrease in prepaid expenses	74,496
Decrease in accounts payable	(81,038)
Decrease in grants payable	(648,084)
Decrease in deferred revenue	(26,898)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>(1,042,925)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(53,851)
Sale of investments	236
NET CASH USED BY INVESTING ACTIVITIES	<u><u>(53,615)</u></u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of debt	725,000
Repayment of debt	(100,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES:	<u><u>625,000</u></u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (471,540)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 929,279

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 457,739

SUPPLEMENTAL INFORMATION

Interest paid	<u><u>\$ -</u></u>
Taxes paid	<u><u>\$ -</u></u>

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

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)

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.

On September 3, 2014 the Organization's name changed from The NephCure Foundation to NephCure Kidney International.

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. The Organization recognized \$2,959,690 of in-kind services that met these criteria for the fiscal year ended December 31, 2014.

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.

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

NEPHCURE KIDNEY INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE C CONTRIBUTIONS RECEIVABLE

At December 31, 2014, contributions receivable have anticipated cash receipts of the following:

Less than one year	\$ 338,700
One to five years	525,000
	<u>863,700</u>
Less discount to net present value (5%)	54,810
	<u>\$ 808,890</u>

NOTE D GRANTS PAYABLE

Unconditional grants promised but unpaid at year-end are reported as liabilities. Grants authorized and payable were \$949,564 at December 31, 2014.

Future anticipated payments of grants payable are as follows:

	<u>Grants Payable</u>
Less than one year	\$ 899,564
One to five years	50,000
	<u>949,564</u>
Less discount to net present value (5%)	(3,529)
	<u>\$ 946,035</u>

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

NEPHCURE KIDNEY INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE E INCOME TAXES (cont'd)

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 2011, 2012, and 2013 are subject to examination by tax authorities, generally for three years after they were filed.

NOTE F PROPERTY AND EQUIPMENT

At December 31, 2014, property and equipment consisted of the following:

Equipment	\$ 53,851
Less: accumulated depreciation	<u>(3,686)</u>
	<u>\$ 50,165</u>

Depreciation expense totaled \$3,686 for the year ended December 31, 2014.

NOTE G RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2014 related to contracts, grants, and contributions received by the Organization are as follows:

	<u>2013</u>	<u>Additions</u>	<u>Released</u>	<u>2014</u>
Purpose restrictions:				
Greifer program for retrospective studies	\$ 52,100	\$ -	\$ -	\$ 52,100
Time restrictions:				
Retrophin grant	690,500	-	(38,415)	652,085
Beneficial interest in charitable remainder trusts	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>6,110</u>
Total	<u>\$ 748,710</u>	<u>\$ -</u>	<u>\$ (38,415)</u>	<u>\$ 710,295</u>

NOTE H DONOR ADVISED FUND

Unrestricted net assets include \$167,810 of donor-advised funds as of December 31, 2014. 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.

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)

NOTES TO FINANCIAL STATEMENTS

NOTE I **CONCENTRATION OF CREDIT RISK**

The Organization maintains multiple cash accounts. At December 31, 2014, these accounts are covered under the Federal Deposit Insurance Corporation ("FDIC") and are insured by the FDIC up to \$250,000. At December 31, 2014, the Organization had \$94,884 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, 2014, the Organization paid \$100,000 back to the board member. The remainder of the note is due in monthly payments of \$50,000 through October 2015 with the remaining balance due December 31, 2015. The entire note is due within one year. Total interest accrual on the note was \$6,158.

NOTE K **CONCENTRATIONS**

For the year ended December 31, 2014, the Organization received 47 percent of its total public support and revenue in the form of in-kind services from a public service broadcasting service. At December 31, 2014, 81 percent of the outstanding contributions receivable of the Organization is due from one organization in the form of a multi-year pledge.

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 included as support in the financial statements and the corresponding expenses for the year ended December 31, 2014 are as follows:

	<u>Research</u>	<u>Health and Education</u>	<u>Total</u>
Education	\$ 28,212	\$ -	\$ 28,212
Healthcare Professionals	15,152	-	15,152
Marketing	-	2,676,496	2,676,496
Operations	623	-	623
Walks	239,207	-	239,207
	<u>\$ 283,194</u>	<u>\$2,676,496</u>	<u>\$2,959,690</u>
Total Expenses			

NEPHCURE KIDNEY INTERNATIONAL
(FORMERLY THE NEPHCURE FOUNDATION)

NOTES TO FINANCIAL STATEMENTS

NOTE M SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 17, 2015, the date the financial statements were available to be issued.