



NEPHCURE KIDNEY INTERNATIONAL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

NEPHCURE KIDNEY INTERNATIONAL

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITOR'S REPORT

July 15, 2020

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

We have audited the accompanying financial statements of NephCure Kidney International, which comprise the statement of financial position as of December 31, 2019, 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 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

To the Board of Directors
NephCure Kidney International

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 NephCure Kidney International as of December 31, 2019, and the change in their net assets and their 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 December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. Certain items have been reclassified to conform to the current year presentation.

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,321,082	\$ 1,502,106
Contributions receivable	50,000	229,910
Prepaid expenses and other assets	13,005	13,649
Asset held for resale	20,000	20,000
TOTAL CURRENT ASSETS	<u>1,404,087</u>	<u>1,765,665</u>
NONCURRENT ASSETS		
Fixtures and equipment, net of depreciation	8,205	17,390
TOTAL NONCURRENT ASSETS	<u>8,205</u>	<u>17,390</u>
TOTAL ASSETS	<u>\$ 1,412,292</u>	<u>\$ 1,783,055</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 131,273	\$ 96,894
Note payable	-	295,381
Total Liabilities	<u>131,273</u>	<u>392,275</u>
NET ASSETS		
Without donor restriction:		
Operating	1,010,974	1,282,624
Donor-advised funds	40,000	40,000
Total without donor restriction	<u>1,050,974</u>	<u>1,322,624</u>
With donor restriction	230,045	68,156
Total Net Assets	<u>1,281,019</u>	<u>1,390,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,412,292</u>	<u>\$ 1,783,055</u>

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Comparative Totals for 2018)

	Without Donor Restriction	With Donor Restriction	Totals	
	2019	2018	2019	2018
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 1,577,531	\$ 162,529	\$ 1,740,060	\$ 1,769,674
In-kind services	223,374	-	223,374	329,942
Special event revenue, net of direct expenses of \$951,078 and \$755,215, respectively	2,025,263	-	2,025,263	1,800,980
Miscellaneous revenue	10,905	-	10,905	3,099
	<u>3,837,073</u>	<u>162,529</u>	<u>3,999,602</u>	<u>3,903,695</u>
Net assets released from restriction	640	(640)	-	-
TOTAL REVENUE AND OTHER SUPPORT	<u>3,837,713</u>	<u>161,889</u>	<u>3,999,602</u>	<u>3,903,695</u>
EXPENSES:				
Program services	3,122,122	-	3,122,122	2,466,742
Support services	987,241	-	987,241	715,231
TOTAL EXPENSES	<u>4,109,363</u>	<u>-</u>	<u>4,109,363</u>	<u>3,181,973</u>
CHANGE IN NET ASSETS	<u>(271,650)</u>	<u>161,889</u>	<u>(109,761)</u>	<u>721,722</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,322,624</u>	<u>68,156</u>	<u>1,390,780</u>	<u>669,058</u>
NET ASSETS, END OF YEAR	<u>\$ 1,050,974</u>	<u>\$ 230,045</u>	<u>\$ 1,281,019</u>	<u>\$ 1,390,780</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, 2019
(With Summarized Comparative Totals for 2018)

	Program Services			Support Services			Totals	
	Research	Health and Education	Total Program Services	Fund Raising	Management and General	Total Support Services	2019	2018
Staffing expenses	\$ 774,262	\$ 580,697	\$ 1,354,959	\$ 241,957	\$ 16,130	\$ 258,087	\$ 1,613,046	\$ 1,342,048
Conferences	8,006	14,868	22,874	-	-	-	22,874	84,291
Gateway	389,580	556,544	946,124	111,309	55,654	166,963	1,113,087	280,325
General admin	5,023	28,881	33,904	28,881	57,035	85,916	119,820	126,460
Interest expense	-	-	-	-	5,750	5,750	5,750	13,366
IT	36,832	52,617	89,449	10,523	5,262	15,785	105,234	144,204
Occupancy	73,714	47,177	120,891	22,114	4,423	26,537	147,428	111,717
Office supplies	1,253	4,090	5,343	-	1,253	1,253	6,596	29,776
Other	9,940	57,166	67,106	57,166	124,274	181,440	248,546	532,160
Patient education	1,065	3,196	4,261	-	-	-	4,261	-
Professional development	382	6,629	7,011	892	4,844	5,736	12,747	-
Professional services	15,373	266,459	281,832	35,869	194,720	230,589	512,421	96,453
Research payments	188,368	-	188,368	-	-	-	188,368	411,103
Depreciation	-	-	-	-	9,185	9,185	9,185	10,070
TOTAL EXPENSES	\$ 1,503,798	\$ 1,618,324	\$ 3,122,122	\$ 508,711	\$ 478,530	\$ 987,241	\$ 4,109,363	\$ 3,181,973

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (109,761)	\$ 721,722
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,185	10,071
Decrease in contributions receivable	179,910	546,834
Decrease in prepaid expenses and other assets	644	11,054
Increase (Decrease) in accounts payable and accrued expenses	34,379	(177,295)
Decrease in grants payable	-	(20,522)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>114,357</u>	<u>1,091,864</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	<u>(295,381)</u>	<u>(256,634)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(295,381)</u>	<u>(256,634)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(181,024)	835,230
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,502,106</u>	<u>666,876</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,321,082</u>	<u>\$ 1,502,106</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 5,750</u>	<u>\$ 13,366</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 is a nonprofit organization founded in 2000. NephCure Kidney International's mission is to seek a cause and cure for Nephrotic Syndrome and Focal Segmental Glomerulosclerosis ("FSGS"). NephCure Kidney International provides financial support for research, conducts advocacy and outreach initiatives, and provides educational programs for patient/families, physicians, and other medical professionals.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of NephCure Kidney International ("the Organization") have been prepared on the accrual basis of accounting.

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 two classes of net assets: without donor restriction and with donor restriction. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with the section of the FASB ASC regarding accounting for contributions received and contributions made, contributions received are recorded as with or without donor restriction, depending on the existence and/or nature of any donor restrictions. Such contributions are required to be reported as support with donor restriction and are then reclassified to net assets without donor restriction 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments without donor restriction with an initial maturity of three months or less to be cash equivalents.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

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

Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to make contributions which are expected to be paid over a period in excess of one year are discounted and recorded at their present value. Conditional promises to make contributions are recorded as support in the period the condition is met. Promises to give are charged to the allowance for uncollectible accounts when determined to be uncollectible by management. Management has not provided for an allowance for doubtful accounts since it believes all balances are fully collectible.

Fixtures and Equipment and Depreciation

Acquisitions of fixtures and equipment in excess of \$1,500 are capitalized. Fixtures and equipment are stated at cost if purchased. Donations of fixtures and equipment are recorded as support at their estimated fair value. Such donations are reported a support without donor restriction 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 support with donor restriction. 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 net assets with donor restriction to net assets without donor restriction at that time. Expenditures for maintenance and repairs are charged to expense as incurred. Costs 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 fixtures and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives of fixtures and equipment for purposes of calculating depreciation are seven and five years, respectively.

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 using historical cost studies.

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, 2018, from which the summarized information was derived.

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C CONTRIBUTIONS RECEIVABLE

At December 31, 2019, contributions receivable anticipated cash receipts of the following:

Less than one year	<u>\$ 50,000</u>
--------------------	------------------

NOTE D INCOME TAXES

NephCure Kidney International 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.

Accounting principles generally accepted in the United States of America 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.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE D INCOME TAXES (cont'd)

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.

NOTE E FIXTURES AND EQUIPMENT

At December 31, 2019, fixtures and equipment consisted of the following:

Fixtures and equipment	\$ 60,676
Less: accumulated depreciation	<u>(52,471)</u>
	<u>\$ 8,205</u>

Depreciation expense totaled \$9,185 for the year ended December 31, 2019.

NOTE F NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction as of and for the year ended December 31, 2019 related to contributions received by the Organization are as follows:

	<u>2018</u>	<u>Additions</u>	<u>Released</u>	<u>2019</u>
Purpose restrictions:				
International Podocyte Conference	\$ 63,326	\$ 22,529	\$ -	\$ 85,855
Time restrictions:				
Retrophin grants	-	140,000	-	140,000
Beneficial interest in charitable remainder trusts	<u>4,830</u>	<u>-</u>	<u>640</u>	<u>4,190</u>
Total	<u>\$ 68,156</u>	<u>\$ 162,529</u>	<u>\$ 640</u>	<u>\$ 230,045</u>

NOTE G DONOR-ADVISED FUND

Net assets without donor restriction include \$40,000 of donor-advised funds as of December 31, 2019. 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 net assets without donor restriction of the Organization.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE H CONCENTRATION OF CREDIT RISK

The Organization maintains multiple cash accounts. At December 31, 2019, these accounts are covered under the Federal Deposit Insurance Corporation ("FDIC") and are insured by the FDIC up to \$250,000. At December 31, 2019, the Organization had \$821,082 of uninsured balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE I RELATED PARTY TRANSACTIONS

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 April 11, 2016. On December 19, 2017, the interest rate was adjusted to 2.75 percent per annum. As of December 31, 2019, the Organization repaid all outstanding principal. Interest expense for 2019 was \$5,750.

NOTE J CONCENTRATIONS

At December 31, 2019, 100 percent of the Organization's outstanding contributions receivable is due from one organization in the form of a pledge.

NOTE K DONATED SERVICES AND IN-KIND CONTRIBUTIONS

The Organization recognizes professional donated services and other 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 other in-kind contributions included as support in the financial statements and the corresponding expenses for the year ended December 31, 2019 were \$223,374.

NOTE L 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 eighty percent of their eligible compensation each pay period. Contributions of up to six percent of eligible compensation are matched at fifty percent by the Organization. The Organization contributed \$28,222 to the Plan during 2019.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE M OPERATING LEASES

The Organization leases office space and a copier. The leasing arrangements expire in various years through 2025 and have varying renewal options. Rental payments for office space during 2019 totaled \$113,875 and are included in occupancy expense on the statement of functional expenses. Copier rental payments during 2019 totaled \$2,616 and are included in general admin on the statement of functional expenses.

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 122,242
2021	126,777
2022	127,977
2023	130,530
2024	133,153
2025	<u>34,979</u>
	<u>\$ 675,658</u>

NOTE N LIQUIDITY AND AVAILABILITY OF RESOURCES

NephCure Kidney International has \$1,371,082 of financial assets to meet cash needs for general expenses consisting of cash and cash equivalents of \$1,321,082 and contributions receivable of \$50,000.

The following reflects NephCure Kidney International's assets as of December 31, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end	\$ 1,371,082
Less those unavailable for general expenditures within one year due to:	
Donor-imposed purpose or time restrictions	230,045
Donor advised	<u>40,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,101,037</u>

NephCure Kidney International has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses (excluding depreciation).

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE O SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Organization's income in 2020. Other financial impact could occur though such potential impact is unknown at this time.

The Organization has evaluated all subsequent events through July 15, 2020, the date the financial statements were available to be issued.