



NEPHCURE KIDNEY INTERNATIONAL

FINANCIAL STATEMENTS

DECEMBER 31, 2021

NEPHCURE KIDNEY INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

September 19, 2022

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NephCure Kidney International, which comprise the statement of financial position as of December 31, 2021, and the related statements 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 NephCure Kidney International as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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 NephCure Kidney International 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

To the Board of Directors
NephCure Kidney International

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 NephCure Kidney International's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 NephCure Kidney International'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 NephCure Kidney International's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
NephCure Kidney International

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.

Report on Summarized Comparative Information

We have previously audited NephCure Kidney International's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,762,321	\$ 2,054,135
Contributions receivable	120,000	-
Prepaid expenses and other assets	48,167	17,705
Asset held for resale	20,000	20,000
TOTAL CURRENT ASSETS	<u>2,950,488</u>	<u>2,091,840</u>
NONCURRENT ASSETS:		
Fixtures and equipment, net of depreciation	-	2,361
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>2,361</u>
TOTAL ASSETS	<u>\$ 2,950,488</u>	<u>\$ 2,094,201</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 171,564	\$ 23,435
TOTAL LIABILITIES	<u>171,564</u>	<u>23,435</u>
NET ASSETS:		
Without donor restrictions:		
Operating	2,655,159	1,881,361
Donor-advised funds	35,000	40,000
Total without donor restrictions	<u>2,690,159</u>	<u>1,921,361</u>
With donor restrictions	88,765	149,405
TOTAL NET ASSETS	<u>2,778,924</u>	<u>2,070,766</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,950,488</u>	<u>\$ 2,094,201</u>

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 2,061,707	\$ 20,000	\$ 2,081,707	\$ 1,823,198
In-kind services	-	-	-	14,991
Special event revenue, net of direct expenses of \$504,798 and \$236,970, respectively	1,567,421	-	1,567,421	933,966
Miscellaneous revenue	252	-	252	46,440
Paycheck Protection Program	261,798	-	261,798	263,752
	<u>3,891,178</u>	<u>20,000</u>	<u>3,911,178</u>	<u>3,082,347</u>
Net assets released from restrictions	80,640	(80,640)	-	-
TOTAL REVENUE AND OTHER SUPPORT	<u>3,971,818</u>	<u>(60,640)</u>	<u>3,911,178</u>	<u>3,082,347</u>
EXPENSES:				
Program services	2,573,894	-	2,573,894	1,729,675
Support services	629,126	-	629,126	562,925
TOTAL EXPENSES	<u>3,203,020</u>	<u>-</u>	<u>3,203,020</u>	<u>2,292,600</u>
CHANGE IN NET ASSETS	768,798	(60,640)	708,158	789,747
NET ASSETS, BEGINNING OF YEAR	<u>1,921,361</u>	<u>149,405</u>	<u>2,070,766</u>	<u>1,281,019</u>
NET ASSETS, END OF YEAR	<u>\$ 2,690,159</u>	<u>\$ 88,765</u>	<u>\$ 2,778,924</u>	<u>\$ 2,070,766</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, 2021
(With Summarized Comparative Totals for 2020)

	Program Services			Support Services			Totals	
	Research	Health and Education	Total Program Services	Fund Raising	Management and General	Total Support Services	2021	2020
Staffing expenses	\$ 710,748	\$ 533,061	\$ 1,243,809	\$ 222,109	\$ 14,807	\$ 236,916	\$ 1,480,725	\$ 1,595,986
Conferences	31,377	58,271	89,648	-	-	-	89,648	1,993
Gateway	4,312	6,160	10,472	1,232	616	1,848	12,320	6,815
General administration	3,041	17,485	20,526	17,485	38,011	55,496	76,022	81,498
Information technology	62,741	89,630	152,371	17,926	8,963	26,889	179,260	129,688
Occupancy	85,644	54,812	140,456	25,693	5,139	30,832	171,288	83,540
Office supplies	-	-	-	-	-	-	-	8,479
Other	624	3,589	4,213	3,590	7,804	11,394	15,607	31,479
Patient education	926	2,779	3,705	-	-	-	3,705	3,670
Professional development	1	10	11	1	8	9	20	3,453
Professional services	17,156	297,379	314,535	40,032	217,315	257,347	571,882	290,157
Research payments	594,148	-	594,148	-	-	-	594,148	-
Bad debt expense	-	-	-	-	-	-	-	50,000
Deprecation	-	-	-	-	2,361	2,361	2,361	5,844
Miscellaneous expense	-	-	-	-	6,034	6,034	6,034	-
TOTAL EXPENSES	\$ 1,510,718	\$ 1,063,176	\$ 2,573,894	\$ 328,068	\$ 301,058	\$ 629,126	\$ 3,203,020	\$ 2,292,602

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 708,158	\$ 789,747
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,361	5,844
(Increase) Decrease in contributions receivable	(120,000)	50,000
(Increase) Decrease in prepaid expenses and other assets	(30,462)	(4,700)
Increase (Decrease) in accounts payable and accrued expenses	148,129	(107,838)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>708,186</u>	<u>733,053</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	708,186	733,053
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,054,135</u>	<u>1,321,082</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,762,321</u>	<u>\$ 2,054,135</u>
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

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 restrictions and with donor restrictions. 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 restrictions, depending on the existence and/or nature of any donor restrictions. Such contributions are required to be reported as support with donor restrictions and are then reclassified to net assets without donor restrictions 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 restrictions 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 restrictions 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 restrictions. 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 restrictions to net assets without donor restrictions 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, 2021, from which the summarized information was derived.

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 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.

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. 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 D FIXTURES AND EQUIPMENT

At December 31, 2021, fixtures and equipment consisted of the following:

Fixtures and equipment	\$ 60,676
Less: accumulated depreciation	<u>(60,676)</u>
	<u>\$ -</u>

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE D FIXTURES AND EQUIPMENT (cont'd)

Depreciation expense totaled \$2,361 for the year ended December 31, 2021.

NOTE E NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of and for the year ended December 31, 2021 related to contributions received by the Organization are as follows:

	<u>2020</u>	<u>Additions</u>	<u>Released</u>	<u>2021</u>
Purpose restrictions:				
International Podocyte Conference	\$ 145,855	\$ 20,000	\$ 80,000	\$ 85,855
Time restrictions:				
Beneficial interest in charitable remainder trusts	<u>3,550</u>	<u>-</u>	<u>640</u>	<u>2,910</u>
Total	<u>\$ 149,405</u>	<u>\$ 20,000</u>	<u>\$ 80,640</u>	<u>\$ 88,765</u>

NOTE F DONOR-ADVISED FUNDS

Net assets without donor restrictions include \$35,000 of donor-advised funds as of December 31, 2021. 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 restrictions of the Organization.

NOTE G CONCENTRATION OF CREDIT RISK

The Organization maintains multiple cash accounts. At December 31, 2021, these accounts are covered under the Federal Deposit Insurance Corporation ("FDIC") and are insured by the FDIC up to \$250,000. At December 31, 2021, the Organization had \$2,184,955 of uninsured balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE H 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.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE H DONATED SERVICES AND IN-KIND CONTRIBUTIONS (cont'd)

There were no donated services or other in-kind contributions for the year ended December 31, 2021.

NOTE I 401(k) PLAN

All full-time employees who have completed one year of employment are eligible to participate in the Insperty 401(k) Plan, a defined contribution plan which is offered by Insperty, 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 \$44,949 to the plan during 2021.

NOTE J OPERATING LEASES

The Organization leases office space, a printer, and a copier. The leasing arrangements expire in various years through 2025 and have varying renewal options. Rental payments for office space during 2021 totaled \$125,469 and are included in occupancy expense on the statement of functional expenses. Printer rental payments during 2021 totaled \$746 and are included in general administration on the statement of functional expenses. Copier rental payments during 2021 totaled \$1,295 and are included in general administration on the statement of functional expenses.

Future minimum payments are as follows:

Year Ending December 31,

2022	\$ 130,943
2023	133,496
2024	135,379
2025	<u>35,166</u>
	<u>\$ 434,984</u>

NOTE K LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$2,882,321 of financial assets to meet cash needs for general expenses consisting of cash and cash equivalents of \$2,762,321 and contributions receivable of \$120,000.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE K LIQUIDITY AND AVAILABILITY OF RESOURCES (cont'd)

The following reflects the Organization's assets as of December 31, 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end	\$ 2,762,321
Less those unavailable for general expenditures within one year due to:	
Donor-imposed purpose or time restrictions	88,765
Donor-advised	<u>35,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,638,556</u>

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

NOTE L COMMITMENTS AND CONTINGENCIES

On May 2, 2020, the Organization was granted a loan ("the Loan") from Bank of America ("the Lender") in the amount of \$263,752, pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. On February 14, 2021, the Organization was granted another PPP loan from Bank of America in the amount of \$261,798.

The PPP Loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations. The Organization intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The first PPP loan (\$263,752) was approved for forgiveness for the full amount on October 14, 2021. The Loan had been recognized as revenue for the year ended December 31, 2020. The second PPP loan (\$261,798) was approved for forgiveness on December 15, 2021. The Loan is recognized as revenue for the year ended December 31, 2021.

NOTE M SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through September 19, 2022, the date the financial statements were available to be issued.