



NEPHCURE KIDNEY INTERNATIONAL

FINANCIAL STATEMENTS

DECEMBER 31, 2022

NEPHCURE KIDNEY INTERNATIONAL

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INDEPENDENT AUDITOR'S REPORT

August 11, 2023

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 financial statements of NephCure Kidney International, which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present, in all material respects, the financial position of NephCure Kidney International as of December 31, 2022, 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.

Emphasis of a Matter

As discussed in Notes B and L to the financial statements, NephCure Kidney International has adopted the requirements of Financial Accounting Standards Board (FASB) Topic 842, "Leases." The purpose of this statement is to bring most operating leases, which were previously accounted for off-balance sheet, onto the balance sheet. As a result, NephCure Kidney International has restated its net assets as of January 1, 2021. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited NephCure Kidney International's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,711,799	\$2,762,321
Contributions receivable	186,992	120,000
Prepaid expenses and other assets	89,734	48,167
Asset held for resale	20,000	20,000
TOTAL CURRENT ASSETS	<u>4,008,525</u>	<u>\$2,950,488</u>
NONCURRENT ASSETS:		
Right-of-use asset, net of amortization	<u>389,161</u>	<u>500,350</u>
TOTAL NONCURRENT ASSETS	<u>389,161</u>	<u>500,350</u>
TOTAL ASSETS	<u>\$ 4,397,686</u>	<u>\$ 3,450,838</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 457,157	\$ 171,564
Current portion of lease liability	128,399	127,510
TOTAL CURRENT LIABILITIES	<u>585,556</u>	<u>299,074</u>
NONCURRENT LIABILITIES:		
Non-current portion of lease liability	<u>218,168</u>	<u>344,756</u>
TOTAL NONCURRENT LIABILITIES	<u>218,168</u>	<u>344,756</u>
TOTAL LIABILITIES	<u>\$ 803,724</u>	<u>\$ 643,830</u>
NET ASSETS:		
Without donor restrictions:		
Operating	3,470,837	2,683,243
Donor-advised funds	<u>35,000</u>	<u>35,000</u>
Total without donor restrictions	3,505,837	2,718,243
With donor restrictions	<u>88,125</u>	<u>88,765</u>
TOTAL NET ASSETS	<u>3,593,962</u>	<u>2,807,008</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,397,686</u>	<u>\$ 3,450,838</u>

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

**NEPHCURE KIDNEY INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Summarized Comparative Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 2,886,140	\$ -	\$ 2,886,140	\$ 2,081,707
Special event revenue, net of direct expenses of \$761,844 and \$504,798, respectively	1,486,949	-	1,486,949	1,567,421
Investment income	17,157	-	17,157	-
Miscellaneous revenue	-	-	-	252
Paycheck Protection Program	-	-	-	261,798
	<u>4,390,246</u>	<u>-</u>	<u>4,390,246</u>	<u>3,911,178</u>
Net assets released from restrictions	640	(640)	-	-
	<u>4,390,886</u>	<u>(640)</u>	<u>4,390,246</u>	<u>3,911,178</u>
TOTAL REVENUE AND OTHER SUPPORT				
EXPENSES:				
Program services	2,810,361	-	2,810,361	2,573,894
Support services	792,931	-	792,931	629,126
	<u>3,603,292</u>	<u>-</u>	<u>3,603,292</u>	<u>3,203,020</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	787,594	(640)	786,954	708,158
NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>2,718,243</u>	<u>88,765</u>	<u>2,807,008</u>	<u>2,098,850</u>
NET ASSETS, END OF YEAR	<u>\$ 3,505,837</u>	<u>\$ 88,125</u>	<u>\$ 3,593,962</u>	<u>\$ 2,807,008</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, 2022
(With Summarized Comparative Totals for 2021)**

	Program Services			Support Services			Totals	
	Research	Health and Education	Total Program Services	Fund Raising	Management and General	Total Support Services	2022	2021
Staffing expenses	\$ 904,200	\$ 678,150	\$ 1,582,350	\$ 282,563	\$ 18,838	\$ 301,401	\$ 1,883,751	\$ 1,480,725
Conferences	28,389	52,723	81,112	-	-	-	81,112	89,648
Gateway	7,459	10,656	18,115	2,131	1,066	3,197	21,312	12,320
General administration	4,426	25,450	29,876	25,450	55,326	80,776	110,652	76,022
Health equity	-	111,368	111,368	-	-	-	111,368	-
Information technology	60,569	86,528	147,097	17,306	8,652	25,958	173,055	179,260
Occupancy	79,376	50,801	130,177	23,813	4,763	28,576	158,753	171,288
Organizational awareness	26,609	86,829	113,438	-	26,609	26,609	140,047	-
Other	1,071	6,161	7,232	6,161	13,392	19,553	26,785	15,607
Patient education	1,136	3,409	4,545	-	-	-	4,545	3,705
Professional development	2,498	43,294	45,792	5,828	31,638	37,466	83,258	20
Professional services	16,690	289,292	305,982	38,943	211,406	250,349	556,331	571,882
Research payments	233,277	-	233,277	-	-	-	233,277	594,148
Bad debt expense	-	-	-	-	19,046	19,046	19,046	-
Depreciation	-	-	-	-	-	-	-	2,361
Miscellaneous expense	-	-	-	-	-	-	-	6,034
TOTAL EXPENSES	\$ 1,365,700	\$ 1,444,661	\$ 2,810,361	\$ 402,195	\$ 390,736	\$ 792,931	\$ 3,603,292	\$ 3,203,020

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

NEPHCURE KIDNEY INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 786,954	\$ 708,158
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	2,361
(Increase) Decrease in contributions receivable	(66,992)	(120,000)
(Increase) Decrease in prepaid expenses and other assets	(41,567)	(30,462)
(Increase) Decrease in right-of-use assets	111,189	-
Increase (Decrease) in accounts payable and accrued expenses	285,593	148,129
Increase (Decrease) in lease liability current portion	889	-
Increase (Decrease) in lease liability noncurrent portion	<u>(126,588)</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>949,478</u>	 <u>708,186</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 949,478	 708,186
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>2,762,321</u>	 <u>2,054,135</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 3,711,799</u>	 <u>\$ 2,762,321</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.

Implementation of FASB Statement

During the year ended December 31, 2022, the Organization implemented Financial Accounting Standards Board ("FASB") Topic 842, "Leases." The purpose of this statement is to bring most operating leases, which were previously accounted for off-balance sheet, onto the balance sheet.

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.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE D FIXTURES AND EQUIPMENT

At December 31, 2022, fixtures and equipment consisted of the following:

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

Depreciation expense totaled \$0 for the year ended December 31, 2022.

NOTE E NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of and for the year ended December 31, 2022 related to contributions received by the Organization are as follows:

	<u>2021</u>	<u>Additions</u>	<u>Released</u>	<u>2022</u>
Purpose restrictions:				
International Podocyte Conference	\$ 85,855	\$ -	\$ -	\$ 85,855
Time restrictions:				
Beneficial interest in charitable remainder trusts	<u>2,910</u>	<u>-</u>	<u>640</u>	<u>2,270</u>
Total	<u>\$ 88,765</u>	<u>\$ -</u>	<u>\$ 640</u>	<u>\$ 88,125</u>

NOTE F DONOR-ADVISED FUNDS

Net assets without donor restrictions include \$35,000 of donor-advised funds as of December 31, 2022. 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, 2022, these accounts are covered under the Federal Deposit Insurance Corporation ("FDIC") and are insured by the FDIC up to \$250,000. At December 31, 2022, the Organization had \$2,920,934 of uninsured balances. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

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.

There were no donated services or other in-kind contributions for the year ended December 31, 2022.

NOTE I 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 1% to 80% of their eligible compensation each pay period. Contributions of up to 6% of eligible compensation are matched at 50% by the Organization. The Organization contributed \$51,298 to the plan during 2022.

NOTE J LEASES

In August 2019, the Organization entered into a lease agreement to rent office space in King of Prussia, Pennsylvania commencing July 2020 under a noncancelable lease expiring in September 2025. The current monthly rent is \$10,770, increasing 2% annually. The Organization calculated the present value of the rental agreement at the risk-free interest rate as of the incurrence of the lease (3.97%). The weighted remaining life of the lease as of December 31, 2022 was 2.75 years.

The organization also leases a printer under a lease expiring March 2025. The monthly rent is \$62. The Organization calculated the present value of the rental agreement at the risk-free interest rate as of the incurrence of the lease (3.97%). The weighted remaining life of the lease as of December 31, 2022 was 2.25 years.

The organization also leases various office equipment under a lease expiring August 2024. The monthly rent is \$185. The Organization calculated the present value of the rental agreement at the risk-free interest rate as of the incurrence of the lease (3.97%). The weighted remaining life of the lease as of December 31, 2022 was 1.66 years.

Future minimum payments are as follows:

NEPHCURE KIDNEY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

NOTE J LEASES (cont'd)

Year Ending December 31,

2023	\$ 128,399
2024	127,048
2025	<u>91,120</u>
	<u>\$ 346,567</u>

NOTE K LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$3,898,791 of financial assets to meet cash needs for general expenses consisting of cash and cash equivalents of \$3,711,799 and contributions receivable of \$186,992.

The following reflects the Organization's assets as of December 31, 2022, 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	\$ 3,898,791
Less those unavailable for general expenditures within one year due to:	
Donor-imposed purpose or time restrictions	88,125
Donor-advised	<u>35,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,775,666</u>

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

NOTE L PRIOR PERIOD ADJUSTMENTS

In accordance with the adoption of FASB ASU 842, as discussed in Note B, the Organization has restated its 2021 opening net assets to record the right to use assets and lease liabilities associated with the Organization's leasing arrangements. The net result of this change is an increase of \$28,084 in net assets.

NOTE M SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through August 11, 2023, the date the financial statements were available to be issued.