

Health Research Alliance, Inc.

Report on Audits of Financial Statements

for the years ended December 31, 2020 and 2019

MPCopany LLP

Certified Public Accountants
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Independent Auditors' Report

Board of Directors
Health Research Alliance, Inc.

We have audited the accompanying financial statements of Health Research Alliance, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 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 Health Research Alliance, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MPC Company LLP

May 17, 2021

Health Research Alliance, Inc.
Statements of Financial Position
December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 1,126,700	\$ 564,115
Certificates of deposit	515,838	1,200,879
Contributions and grants receivable	10,000	-
Prepaid expenses	<u>18,218</u>	<u>28,731</u>
Total current assets	<u>1,670,756</u>	<u>1,793,725</u>
Property and equipment:		
Computer equipment	6,908	6,908
Website and software	<u>73,750</u>	<u>73,750</u>
	80,658	80,658
Less accumulated depreciation and amortization	<u>58,350</u>	<u>36,035</u>
Property and equipment, net	<u>22,308</u>	<u>44,623</u>
 Total assets	 \$ <u>1,693,064</u>	 \$ <u>1,838,348</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 7,702	\$ 6,362
Accrued compensation	15,013	12,510
Agency fund	749,940	1,024,960
Deferred membership dues	<u>12,500</u>	<u>-</u>
Total current liabilities	<u>785,155</u>	<u>1,043,832</u>
Net Assets:		
Without donor restrictions	816,456	786,649
With donor restrictions	<u>91,453</u>	<u>7,867</u>
Total net assets	<u>907,909</u>	<u>794,516</u>
 Total liabilities and net assets	 \$ <u>1,693,064</u>	 \$ <u>1,838,348</u>

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

Health Research Alliance, Inc.
 Statements of Activities
 for the years ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenues, support and gains:			
Membership dues	\$ 501,855	\$ -	\$ 501,855
Member meeting support	-	4,250	4,250
Contributions and grants	-	80,000	80,000
Paycheck protection program	39,308	-	39,308
Net certificates of deposit return	18,509	-	18,509
Interest	1,148	-	1,148
Total revenues, support and gains	560,820	84,250	645,070
Net assets released from restrictions	664	(664)	-
Expenses:			
Program services	374,157	-	374,157
Management and general	53,917	-	53,917
Membership development	103,603	-	103,603
Total expenses	531,677	-	531,677
Changes in net assets	29,807	83,586	113,393
Net assets, beginning of year	786,649	7,867	794,516
Net assets, end of year	\$ 816,456	\$ 91,453	\$ 907,909

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

2019

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 483,437	\$ -	\$ 483,437
20,903	-	20,903
1,225	6,500	7,725
-	-	-
40,519	-	40,519
3,429	-	3,429
<u>549,513</u>	<u>6,500</u>	<u>556,013</u>
<u>92,927</u>	<u>(92,927)</u>	<u>-</u>
562,309	-	562,309
56,701	-	56,701
53,121	-	53,121
<u>672,131</u>	<u>-</u>	<u>672,131</u>
(29,691)	(86,427)	(116,118)
<u>816,340</u>	<u>94,294</u>	<u>910,634</u>
\$ <u>786,649</u>	\$ <u>7,867</u>	\$ <u>794,516</u>

Health Research Alliance, Inc.
 Statements of Functional Expenses
 for the years ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Membership Development	Total
Salaries and benefits	\$ 249,495	\$ 21,241	\$ 89,285	\$ 360,021
Systems expenses	83,284	492	2,066	85,842
Travel and meetings	4,077	-	-	4,077
Professional services	15,183	29,990	4,539	49,712
Depreciation and amortization	15,464	1,317	5,534	22,315
Telephone	2,730	232	977	3,939
Dues and fees	1,312	472	469	2,253
Printing, postage and supplies	485	40	175	700
Member meetings	567	-	-	567
Insurance	1,560	133	558	2,251
	\$ 374,157	\$ 53,917	\$ 103,603	\$ 531,677

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

2019

<u>Program Services</u>	<u>Management and General</u>	<u>Membership Development</u>	<u>Total</u>
\$ 279,325	\$ 24,122	\$ 46,146	\$ 349,593
117,681	430	823	118,934
6,611	-	-	6,611
37,625	28,881	805	67,311
18,140	1,566	2,997	22,703
9,457	817	1,562	11,836
1,508	550	249	2,307
1,536	186	254	1,976
88,702	-	-	88,702
1,724	149	285	2,158
<u>\$ 562,309</u>	<u>\$ 56,701</u>	<u>\$ 53,121</u>	<u>\$ 672,131</u>

Health Research Alliance, Inc.
 Statements of Cash Flows
 for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 113,393	\$ (116,118)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on certificates of deposits	(3,959)	(12,920)
Depreciation and amortization	22,315	22,703
Paycheck protection program loan forgiveness	(39,308)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions and grants receivable	(10,000)	30,500
Prepaid expenses	10,513	(1,178)
Increase (decrease) in liabilities:		
Accounts payable	1,340	(21,686)
Accrued compensation	2,503	5,048
Agency fund	(275,020)	(275,020)
Deferred membership dues	12,500	-
Net cash used in operating activities	<u>(165,723)</u>	<u>(368,671)</u>
 Cash flows from investing activities:		
Purchases of certificates of deposit	(722,000)	(1,614,000)
Proceeds from sales of certificates of deposit	<u>1,411,000</u>	<u>1,373,000</u>
Net cash provided by (used in) investing activities	<u>689,000</u>	<u>(241,000)</u>
 Cash flows from financing activities:		
Paycheck protection program loan proceeds	<u>39,308</u>	<u>-</u>
Net cash provided by financing activities	<u>39,308</u>	<u>-</u>
 Net increase (decrease) in cash	562,585	(609,671)
 Cash at beginning of year	<u>564,115</u>	<u>1,173,786</u>
 Cash at end of year	\$ <u>1,126,700</u>	\$ <u>564,115</u>

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

1. ORGANIZATION

Health Research Alliance, Inc. (the "Alliance") incorporated in November 2005, is a membership organization composed of nonprofit funders of biomedical research and training. Organizations participating in HRA represent a variety of types of nonprofit funders of biomedical research, including voluntary health agencies, private foundations, and operating foundations. All of these organizations share a common interest in speeding the translation of biomedical science into applications that improve health and in identifying and adopting effective practices in funding health research.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Alliance are prepared on the accrual basis of accounting and in accordance with the principles contained in the audit and accounting guide, *Not-for-Profit Entities*, published by the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers all investments with original maturity of 90 days or less to be cash equivalents. There were no cash equivalents held by the Alliance at December 31, 2020 and 2019. At December 31, 2020 and 2019, the Alliance had \$586,010 and \$62,668, respectively, of cash deposits in excess of amounts insured by the Federal Deposit Insurance Corporation.

Contributions and Grants Receivable

Contributions and grants receivable consist of commitments made to the Alliance by members and are stated at the amount management expects to collect from outstanding balances. Management believes that the entire amounts are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the unlikely event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the contributions receivable balance.

Property and Equipment

Expenditures for property and equipment are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of property and equipment range as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Computer equipment	3 years
Website and software	3-5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments generally in excess of \$500 are capitalized and depreciated over their estimated useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation and amortization accounts are removed and any gain or loss is reflected in the statement of activities for the period. Depreciation and amortization expense for the years ended December 31, 2020 and 2019 were \$22,315 and \$22,703, respectively.

Revenue from Membership Dues

Revenue from membership dues are recognized in the year for which the dues are earned. Dues received prior to year-end for the upcoming dues year are reported as deferred membership dues.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. The Alliance reports non-monetary contributions as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used.

The Alliance recognizes contributions of services if such services (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

For the years ended December 31, 2020 and 2019, the Alliance did not receive in-kind contributions for support of programs and management and general activities.

Net Assets

Net assets, revenues, support, and gains are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

Income Taxes

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no income taxes have been provided in the accompanying financial statements.

Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

During 2019 the Alliance adopted Accounting Standards Updates (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)* and No. 2018-08 - *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of various provisions of these standards resulted in no significant changes in the way the Alliance recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Subsequent Events

The Alliance has evaluated events and transactions that occurred between December 31, 2020 and May 17, 2021 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Management did not identify subsequent events which required recognition or disclosure in the financial statements.

Health Research Alliance, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,126,700	\$ 564,115
Certificates of deposit	515,838	1,200,879
Contributions and grant receivable	<u>10,000</u>	<u>-</u>
Total financial assets	1,652,538	1,764,994
Less amounts not available for general expenditures within one year:		
Agency fund	(749,940)	(1,024,960)
Donor-restricted	<u>(91,454)</u>	<u>(7,867)</u>
Total financial assets available for general expenditures within one year	\$ <u>811,114</u>	\$ <u>732,167</u>

As part of the Alliance's liquidity management plan, excess cash is invested in certificates of deposit. As part of the Alliance's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Alliance is also supported by restricted contributions. Because a donor or grantor's restriction requires resources to be used in a particular manner or in a future period, the Alliance must maintain sufficient resource to meet those responsibilities to its donor or grantor. Thus, financial assets may not be available for general expenditures within one year.

4. AGENCY FUND

The Alliance serves as fiscal agent for the Brain Tumor Funder's Collaborative (the Collaborative). The balance of the agency fund on the statements of financial position represent amounts collected from funders of the Collaborative to be used to fund initiatives on immunotherapy for brain cancers as authorized by the Collaborative.

5. RELATED PARTIES

Part of the Alliance's membership revenues were received by Organizations that are affiliated by board members. The amounts received are consistent with the amounts paid by other non related organizations.

Health Research Alliance, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Collaborative relationships	\$ 198	\$ 198
Member meetings support	3,683	-
Survey of Impact of COVID-19 Pandemic	10,000	-
Cultural competency and antiracism	20,000	-
Re-Imaging of Biomedical Research Ecosystem Initiative	50,000	-
Regulatory science initiative	<u>7,573</u>	<u>7,669</u>
	<u>\$ 91,454</u>	<u>\$ 7,867</u>

7. CONCENTRATIONS

At December 31, 2020, 100% of the Alliance's receivables were due from one organization. During December 31, 2020 and 2019, 14% and 15% of the Alliance's expenses were paid to a database management company, respectively. At December 31, 2020 and 2019 87% and 80% of the Alliance's payables were due to three and two vendors, respectively.

8. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated are allocated on the basis of estimates of time and effort.

9. COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Alliance is closely monitoring its liquidity and investment portfolio and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Alliance's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Alliance's grantors, clients, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Alliance's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

10. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On May 5, 2020, the Alliance received loan proceeds in the amount of \$39,308 under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” of 24 weeks as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Alliance recorded the loan as grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Alliance has recognized \$39,308 as grant revenue for the year ended December 31, 2020.

Subsequent to the year end, the Paycheck Protection Program loan was wholly forgiven by the Small Business Administration (SBA).