

**Health Research Alliance, Inc.**

Report on Audits of Financial Statements

for the years ended December 31, 2022 and 2021

**MPCoCompany LLP**

Certified Public Accountants  
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## Independent Auditors' Report

Board of Directors  
Health Research Alliance, Inc.

### ***Opinion***

We have audited the financial statements of Health Research Alliance, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Health Research Alliance, Inc. as of December 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Health Research Alliance, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 Health Research Alliance, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditors' 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 Health Research Alliance, Inc.'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 Health Research Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

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.

*MPC Company LLP*

May 17, 2023

Health Research Alliance, Inc.  
 Statements of Financial Position  
 December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 230,211	\$ 856,673
Certificates of deposit	650,306	444,333
Prepaid expenses	20,912	18,200
Total current assets	<u>901,429</u>	<u>1,319,206</u>
Property and equipment:		
User interface in progress	-	13,111
Computer equipment	4,425	4,425
Website and software	99,972	73,750
	<u>104,397</u>	<u>91,286</u>
Less accumulated depreciation and amortization	83,273	73,015
Property and equipment, net	<u>21,124</u>	<u>18,271</u>
Total assets	<u>\$ 922,553</u>	<u>\$ 1,337,477</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 4,167	\$ 3,196
Accrued compensation	17,483	16,406
Agency fund	-	499,940
Deferred membership dues	6,250	12,500
Total current liabilities	<u>27,900</u>	<u>532,042</u>
Net Assets:		
Without donor restrictions	737,760	776,662
With donor restrictions	156,893	28,773
Total net assets	<u>894,653</u>	<u>805,435</u>
Total liabilities and net assets	<u>\$ 922,553</u>	<u>\$ 1,337,477</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, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenues, support and gains:			
Membership dues	\$ 518,370	\$ -	\$ 518,370
Contributions and grants	9,000	129,000	138,000
Net certificates of deposit return (loss)	5,823	-	5,823
Interest	<u>1,537</u>	<u>-</u>	<u>1,537</u>
Total revenues, support and gains	<u>534,730</u>	<u>129,000</u>	<u>663,730</u>
Net assets released from restrictions	<u>880</u>	<u>(880)</u>	<u>-</u>
Expenses:			
Program services	410,643	-	410,643
Management and general	66,288	-	66,288
Membership development	<u>97,581</u>	<u>-</u>	<u>97,581</u>
Total expenses	<u>574,512</u>	<u>-</u>	<u>574,512</u>
Changes in net assets	(38,902)	128,120	89,218
Net assets, beginning of year	<u>776,662</u>	<u>28,773</u>	<u>805,435</u>
Net assets, end of year	\$ <u><u>737,760</u></u>	\$ <u><u>156,893</u></u>	\$ <u><u>894,653</u></u>

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

2021

<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
\$ 487,349	\$ -	\$ 487,349
16,000	-	16,000
(117)	-	(117)
<u>504</u>	<u>-</u>	<u>504</u>
<u>503,736</u>	<u>-</u>	<u>503,736</u>
<u>62,680</u>	<u>(62,680)</u>	<u>-</u>
488,909	-	488,909
55,337	-	55,337
<u>61,964</u>	<u>-</u>	<u>61,964</u>
<u>606,210</u>	<u>-</u>	<u>606,210</u>
(39,794)	(62,680)	(102,474)
<u>816,456</u>	<u>91,453</u>	<u>907,909</u>
\$ <u>776,662</u>	\$ <u>28,773</u>	\$ <u>805,435</u>

Health Research Alliance, Inc.  
 Statements of Functional Expenses  
 for the years ended December 31, 2022 and 2021

	2022			
	Program Services	Management and General	Membership Development	Total
Salaries and benefits	\$ 266,542	\$ 31,481	\$ 88,718	\$ 386,741
Consultants	16,895	-	-	16,895
Prize money	-	-	-	-
Systems expenses	78,364	1,079	3,041	82,484
Travel and meetings	1,705	-	-	1,705
Professional services	21,686	31,457	865	54,008
Depreciation and amortization	7,071	835	2,353	10,259
Telephone	3,908	462	1,301	5,671
Dues and fees	2,028	753	675	3,456
Printing, postage and supplies	141	15	48	204
Member meetings	10,561	-	-	10,561
Insurance	1,742	206	580	2,528
	\$ 410,643	\$ 66,288	\$ 97,581	\$ 574,512

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



2021

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<u>Program Services</u>	<u>Management and General</u>	<u>Membership Development</u>	<u>Total</u>
\$ 292,913	\$ 21,505	\$ 56,358	\$ 370,776
46,073	-	-	46,073
31,500	-	-	31,500
73,147	268	702	74,117
1,552	-	-	1,552
14,181	31,489	660	46,330
13,546	995	2,606	17,147
4,280	314	824	5,418
1,770	520	340	2,630
631	112	122	865
7,485	-	-	7,485
<u>1,831</u>	<u>134</u>	<u>352</u>	<u>2,317</u>
\$ <u>488,909</u>	\$ <u>55,337</u>	\$ <u>61,964</u>	\$ <u>606,210</u>

Health Research Alliance, Inc.  
 Statements of Cash Flows  
 for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 89,218	\$ (102,474)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net realized and unrealized (gains) losses on certificates of deposits	(2,973)	8,504
Depreciation and amortization	10,259	17,147
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions and grants receivable	-	10,000
Prepaid expenses	(2,712)	18
Increase (decrease) in liabilities:		
Accounts payable	971	(4,506)
Accrued compensation	1,077	1,393
Agency fund	(499,940)	(250,000)
Deferred membership dues	<u>(6,250)</u>	<u>-</u>
Net cash used in operating activities	<u>(410,350)</u>	<u>(319,918)</u>
 Cash flows from investing activities:		
Purchases of certificates of deposit	(1,047,000)	(400,000)
Proceeds from sales of certificates of deposit	844,000	463,001
Purchase of property and equipment	<u>(13,112)</u>	<u>(13,110)</u>
Net cash provided by (used in) investing activities	<u>(216,112)</u>	<u>49,891</u>
 Net decrease in cash	(626,462)	(270,027)
 Cash at beginning of year	<u>856,673</u>	<u>1,126,700</u>
 Cash at end of year	\$ <u>230,211</u>	\$ <u>856,673</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, 2022 and 2021. At December 31, 2022 and 2021, the Alliance had \$- and \$804,115 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, 2022 and 2021 were \$10,259 and \$17,147, 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, 2022 and 2021, 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.

Health Research Alliance, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

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.

Subsequent Events

The Alliance has evaluated events and transactions that occurred between December 31, 2022 and May 17, 2023 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.

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 statement of financial position date, comprise of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 230,211	\$ 856,673
Certificates of deposit	<u>650,306</u>	<u>444,333</u>
Total financial assets	880,517	1,301,006
Less amounts not available for general expenditures within one year:		
Agency fund	-	(499,940)
Donor-restricted	<u>(156,893)</u>	<u>(28,773)</u>
Total financial assets available for general expenditures within one year	\$ <u><u>723,624</u></u>	\$ <u><u>772,293</u></u>

Health Research Alliance, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY (Continued)

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 served as fiscal agent for the Brain Tumor Funder's Collaborative (the Collaborative) through May 2022. 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. For the years ended December 31, 2022 and 2021, the Alliance collected \$112,500 and \$131,250, respectively, from affiliated members for dues. Additionally, \$60,000 and \$5,000 were contributed during the years ended December 31, 2022 and 2021, respectively, by affiliated member organizations.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Inclusive Grant Making Initiative	\$ 137,340	\$ -
Exploring the Value of Open	9,000	-
Regulatory Science Initiative	7,553	7,553
Member meetings support	3,000	3,683
Re-Imaging of Biomedical Research Ecosystem Initiative	-	17,340
Collaborative Relationships	-	197
	<u>\$ 156,893</u>	<u>\$ 28,773</u>

7. CONCENTRATIONS

During the year ended December 31, 2022, 11% of the Alliance's revenues were received from one member organization. During the years ended December 31, 2022 and 2021, 10% and 12% of the Alliance's expenses were paid to a database management company, respectively. At December 31, 2022 and 2021, 91% and 100% of the Alliance's payables were due to four 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.