

EISNERAMPER

**NATIONAL DISEASE
RESEARCH INTERCHANGE**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



NATIONAL DISEASE RESEARCH INTERCHANGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Disease Research Interchange

Report on the Financial Statements

We have audited the accompanying financial statements of National Disease Research Interchange, a nonprofit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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.

Auditor's 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 audits 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 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 on the previous page present fairly, in all material respects, the financial position of National Disease Research Interchange as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
May 14, 2021

EISNERAMPER
LLP

NATIONAL DISEASE RESEARCH INTERCHANGE

Statements of Financial Position

	December 31,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 385,459	\$ 822,571
Accounts receivable, net of allowance for doubtful accounts of approximately \$97,000 in 2020 and 2019	2,496,013	1,808,719
Other receivables	-	583,840
Inventory	44,910	44,910
Prepaid expenses and deposits	55,936	205,328
	<u>2,982,318</u>	<u>3,465,368</u>
Total current assets		
	2,982,318	3,465,368
Property and equipment, net of accumulated depreciation	<u>3,417,047</u>	<u>2,600,162</u>
	<u>\$6,399,365</u>	<u>\$6,065,530</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 662,645	\$ 1,304,132
Unexpended federal program income	-	99,563
Notes payable	264,286	-
Borrowings on lines-of-credit	-	1,093,700
Deferred revenue	153,537	122,131
Deferred rent and rent credit	180,006	49,881
	<u>1,260,474</u>	<u>2,669,407</u>
Notes payable, long-term	1,414,881	-
Other noncurrent liabilities	40,348	-
Deferred rent and rent credit, long-term	<u>1,186,297</u>	<u>653,998</u>
	<u>3,902,000</u>	<u>3,323,405</u>
Total liabilities		
	3,902,000	3,323,405
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,497,365</u>	<u>2,742,125</u>
	<u>\$6,399,365</u>	<u>\$6,065,530</u>

NATIONAL DISEASE RESEARCH INTERCHANGE

Statements of Activities and Changes in Net Assets

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
Revenues and other support:		
Biospecimen fees from researchers	\$ 2,906,585	\$ 3,554,579
Research support contracts:		
Federal and state	1,972,329	1,935,154
Corporate	1,571,735	1,620,511
Grant revenue	600,500	-
Contributed services	98,020	40,410
Interest and other income	9,666	11,545
	<u>7,158,835</u>	<u>7,162,199</u>
Total revenues and other support		
Expenses:		
Program services:		
Human tissue and organ resources for research	2,021,486	2,192,592
Corporate	1,367,352	2,170,664
Special projects	768,021	605,707
	<u>4,156,859</u>	<u>4,968,963</u>
Support services:		
Management and general	3,206,388	2,286,229
	<u>7,363,247</u>	<u>7,255,192</u>
Total expenses		
Change in net assets without donor restrictions from operating activities	(204,412)	(92,993)
Other changes in net assets without donor restrictions:		
Change in fair value of interest rate swap agreement	(40,348)	-
	<u>(244,760)</u>	<u>(92,993)</u>
Total change in net assets without donor restrictions		
Net assets without donor restrictions at beginning of year	<u>2,742,125</u>	<u>2,835,118</u>
Net assets without donor restrictions at end of year	<u>\$ 2,497,365</u>	<u>\$ 2,742,125</u>

NATIONAL DISEASE RESEARCH INTERCHANGE

Statement of Functional Expenses Year Ended December 31, 2020

	Program Services			Total Program Services	Support Services	Total
	Human Tissue and Organ Resources for Research	Corporate	Special Projects		Management and General	
Payroll and related expenses	\$ 1,282,569	\$ 327,930	\$ 482,087	\$ 2,092,586	\$ 1,131,034	\$ 3,223,620
Biomaterial procurement	364,170	563,539	156,524	1,084,233	-	1,084,233
Computers and equipment	22,274	21,414	-	43,688	255,649	299,337
Consulting fees	-	-	-	-	87,678	87,678
Depreciation	-	-	-	-	769,429	769,429
Dues and subscriptions	-	-	-	-	24,546	24,546
Insurance	-	-	-	-	57,813	57,813
Laboratory	60,493	114,123	12,367	186,983	-	186,983
Advertising	18,932	15,281	-	34,213	129,258	163,471
Meeting, exhibit and travel	7,983	6,630	66	14,679	12,778	27,457
Miscellaneous	-	-	-	-	102,723	102,723
Office supplies	-	-	-	-	13,871	13,871
Postage and delivery	279	114	-	393	1,840	2,233
Printing	1,099	1,094	-	2,193	1,527	3,720
Professional fees	27,000	2,340	-	29,340	153,463	182,803
Remote sites	141,814	150,438	61,000	353,252	-	353,252
Rent and occupancy	-	-	-	-	433,493	433,493
Telephone	-	25,545	-	25,545	31,286	56,831
Shipping and delivery	94,873	138,904	55,977	289,754	-	289,754
Total functional expenses	\$ 2,021,486	\$ 1,367,352	\$ 768,021	\$ 4,156,859	\$ 3,206,388	\$ 7,363,247

NATIONAL DISEASE RESEARCH INTERCHANGE

Statement of Functional Expenses Year Ended December 31, 2019

	Program Services			Total Program Services	Support Services	Total
	Human Tissue and Organ Resources for Research	Corporate	Special Projects		Management and General	
Payroll and related expenses	\$1,337,628	\$ 787,197	\$301,275	\$2,426,100	\$ 1,160,744	\$3,586,844
Biomaterial procurement	433,625	697,260	165,076	1,295,961	-	1,295,961
Computers and equipment	11,088	20,991	-	32,079	185,003	217,082
Consulting fees	-	600	750	1,350	33,485	34,835
Depreciation	-	-	-	-	83,131	83,131
Dues and subscriptions	-	1,000	-	1,000	22,751	23,751
Insurance	-	-	-	-	77,536	77,536
Laboratory	74,635	105,024	13,436	193,095	-	193,095
Advertising	14,583	3,675	50	18,308	80,069	98,377
Meeting, exhibit and travel	96,192	108,290	5,436	209,918	101,003	310,921
Miscellaneous	-	1,500	-	1,500	110,934	112,434
Office supplies	-	-	-	-	19,518	19,518
Postage and delivery	667	453	-	1,120	1,807	2,927
Printing	4,051	3,266	11	7,328	5,073	12,401
Professional fees	-	-	-	-	94,326	94,326
Promotional materials	-	6,047	-	6,047	-	6,047
Remote sites	98,315	234,937	61,000	394,252	-	394,252
Rent and occupancy	-	-	-	-	271,100	271,100
Telephone	-	25,829	-	25,829	39,749	65,578
Shipping and delivery	121,808	174,595	58,673	355,076	-	355,076
Total functional expenses	\$2,192,592	\$2,170,664	\$605,707	\$4,968,963	\$ 2,286,229	\$7,255,192

See notes to financial statements

NATIONAL DISEASE RESEARCH INTERCHANGE

Statements of Cash Flows

	Year Ended December 31,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (244,760)	\$ (92,993)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	769,429	83,131
Change in allowance for doubtful accounts	-	38,160
Change in fair value of interest rate swap agreement	40,348	-
Change in deferred rent	44,346	-
Amortization of deferred rent credit	(109,696)	-
Changes in assets and liabilities:		
Accounts receivable	(687,294)	(2,505)
Prepaid expenses and deposits	149,392	8,536
Accounts payable and accrued expenses	71,353	111,521
Unexpended federal program income	(99,563)	(16,901)
Deferred revenue	31,406	6,862
Net cash provided by (used in) operating activities	<u>(35,039)</u>	<u>135,811</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(2,299,154)</u>	<u>(1,294,371)</u>
Cash flows from financing activities:		
Proceeds from lines-of-credit	406,300	843,700
Proceeds from notes payable	350,000	-
Repayments of notes payable	(170,833)	-
Proceeds from tenant improvement allowance	<u>1,311,614</u>	<u>120,039</u>
Net cash provided by financing activities	<u>1,897,081</u>	<u>963,739</u>
Net decrease in cash	(437,112)	(194,821)
Cash at beginning of year	<u>822,571</u>	<u>1,017,392</u>
Cash at end of year	<u>\$ 385,459</u>	<u>\$ 822,571</u>
Supplemental disclosure of noncash investing activities:		
Property and equipment acquired through accounts payable	<u>\$ -</u>	<u>\$ 712,840</u>
Supplemental disclosure of noncash financing activities:		
Tenant improvement allowance recorded as other receivable and deferred rent credit liability	<u>\$ -</u>	<u>\$ 583,840</u>

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE A - NATURE OF ORGANIZATION

Founded in 1980, National Disease Research Interchange (“NDRI”) is a nonprofit organization located in Philadelphia, Pennsylvania. NDRI’s mission is to provide human biospecimens to advance biomedical/bioscience research and development worldwide. For over 30 years, NDRI has received federal funding from the National Institutes of Health (“NIH”) for its Human Tissue and Organ Resources for Research (“HTORR”) program, in which the primary purpose is to aid in the distribution of human tissues and organs in support of biomedical research and development. Through the HTORR program, NDRI provides biomedical investigators with donated normal and diseased human tissues and organs recovered from a diverse donor pool using customized procurement, processing, and preservation and distribution protocols. NDRI’s corporate program was established to respond to the human tissue needs of pharmaceutical and biotechnology industries’ research and development programs, providing highly customized biospecimen procurement services to its pharmaceutical and biotechnology partners. In addition, through various special projects, NDRI works closely with patient advocacy organizations and foundations to provide tissues to researchers working on specific diseases. NDRI is a 24/7 operation that partners with a nationwide network of organ procurement organizations, tissue banks, eye banks, hospitals, and recovery personnel throughout the United States. The wide geographic distribution of these source partners allows NDRI to provide biospecimens from diverse donor populations and facilitates the timely and efficient provision of fresh tissues directly to researchers across the United States and around the world. By serving as the liaison between procurement sources and the research community, NDRI is uniquely positioned to support breakthrough advances and discoveries that can facilitate the treatment and cure of human diseases.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The financial statements of NDRI have been prepared utilizing the accrual basis of accounting conforming to accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to not-for-profit organizations.

[2] Classification of net assets:

NDRI reports information regarding its financial position and activities based on the existence or absence of donor-imposed 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-imposed or certain grantor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or certain 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. Donor-imposed restrictions which are satisfied in the year of donation, are reported as net assets without donor restrictions.

As of December 31, 2020 and 2019, NDRI did not have any net assets with donor restrictions.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Accounts receivable and allowance for doubtful accounts:

Accounts receivable are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Accounts are written off when they are deemed uncollectible. Management has determined that an allowance of approximately \$97,000 was deemed necessary as of December 31, 2020 and 2019.

[4] Other receivables and deferred rent credit:

NDRI records the tenant improvement costs reimbursed by the landlord as a deferred rent credit, which will be amortized ratably over the original lease terms as a credit to rental expense.

During 2019, NDRI entered into an agreement to lease office space at a new location. As part of that agreement, the landlord agreed to reimburse NDRI for certain costs associated with improving the space before NDRI began occupying the building in March 2020. Approved reimbursements for the year ended December 31, 2019 was \$703,879 which was recorded as a deferred rent credit. Other receivables represent reimbursements of \$583,840, not yet collected by NDRI from the landlord. Approved reimbursements for the year ended December 31, 2020 were \$727,774. These amounts were fully collected during the years ended December 31, 2020 and 2019.

The deferred rent credit was \$1,321,957 and \$703,879 as of December 31, 2020 and 2019, respectively.

[5] Inventory:

Inventory represents procured tissues in laboratory facilities available for shipment to researchers. The value of tissue inventories as of December 31, 2020 and 2019 is based on procurement costs, with only 20% of such procurement costs being capitalized, as determined by management, based on historical data and projected shipments.

[6] Property and equipment and depreciation:

Purchased property and equipment over \$2,000 are capitalized and are stated at cost less accumulated depreciation in the statements of financial position. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets range from three to five years. Leasehold improvements are depreciated over the remaining lease term.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. In the opinion of management, there was no impairment as of either December 31, 2020 or 2019.

[7] Contributed services:

Contribution of services is recognized by NDRI as both revenue and expenses in the accompanying statements of activities and changes in net assets, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. For the years ended December 31, 2020 and 2019, NDRI recognized \$98,020 and \$40,410, respectively, of in-kind contributions. In-kind contributions include advertising received in connection with fundraising events and marketing, which are included in contributed services revenue on the statements of activities and changes in net assets.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Revenue recognition - contributions:

NDRI recognizes contributions as revenue when cash, securities, unconditional promises to give, a notification of a beneficial interest, or other assets are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Funding for the NDRI's research activities is achieved substantially through cost reimbursement government grants and contracts. These grants and contracts provide funding to be used in for the procurement of tissues and organs for research purposes. As the government is not receiving a benefit as a result of these transactions, the grants and contracts are considered to be contributions to NDRI. The grant and contract agreements require that funds be expended for a specific purpose or contain specific service requirements. As these stipulations create a barrier that must be achieved, government grants and contracts are considered to be conditional contributions until such time as the conditions are met. Contributions from grant and contract agreements are therefore recognized as revenue when costs are incurred and specific service requirements are met as required by the agreements. Until the financial information required by the funding sources is accepted, costs billed for program services under cost reimbursement contracts are subject to review and possible disallowance. In management's opinion, the potential for material disallowances is remote, and therefore is not a barrier that would prevent the recognition of revenue.

Unexpended federal program income represents amounts received from governmental contracts that have not yet been expended for approved program activities. Unexpended program income was \$-0- and \$99,563 as of December 31, 2020 and 2019, respectively. Conditional amounts of \$1,017,726 and \$940,919 were not yet recognized on government grants in progress as of December 31, 2020 or 2019, respectively.

On April 28, 2020, NDRI received proceeds from the U.S. Small Business Administration (the "SBA") as part of the Paycheck Protection Program ("PPP") in the amount of \$600,500. The funding is conditional on NDRI using the funds to cover qualified expenditures while maintaining certain employment levels. Contributions from this agreement are therefore recognized as revenue when qualifying costs are incurred and conditions have been substantially met, as required by the agreement. For the period from April 28, 2020 to December 31, 2020, \$600,500 of the grant was used for qualified expenditures, including payroll, rent, mortgage interest, and utilities, and thus was recognized as grant revenue on the statement of activities and changes in net assets. Management believes that these costs meet the conditions of the grant and will ultimately be approved by the SBA, and the potential for material disallowances is remote and, therefore, is not a barrier that would prevent the recognition of revenue.

[9] Revenue recognition - services:

Biospecimen fees from researchers:

Funding for NDRI's activities is achieved substantially through activities surrounding the procurement and distribution of human tissues and organs in support of biomedical research and development. Biospecimen fees from researchers revenue is recognized at a point in time when the tissues and organs are shipped as that is the point when the performance obligation is met and control transfers to the researchers. The amount recognized is the amount that reflects the consideration expected to be received in exchange for providing tissue and organ samples for research purposes. Biospecimen fees from researchers are based on the type of tissue or organ being requested, the condition, and the cost incurred by NDRI as part of procuring the sample.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition – services (continued):

Research support contracts – corporate:

A portion of NDRI's revenue is derived through research support contracts with private companies. Some contracts relate to special projects, while others relate to services to be performed over the term of the contract. Contract amounts are fixed and set at a specific amount. Research support contract revenue that relates to milestones or special projects is recognized at a point in time when the milestone has been met or project has been completed, as that is the point when the performance obligation is met and control transfers to the private companies. Revenue recognized at a point in time due to a milestone being met or upon a project's completion was approximately \$28,000 and \$126,000 for the years ended December 31, 2020 and 2019, respectively. The amount recognized is the amount that reflects the consideration expected to be received in exchange for satisfying the terms of the contract.

Some research support contracts between NDRI and private companies require NDRI to perform services over the term of the agreement. Services performed include providing highly customized biospecimen procurement services to NDRI's pharmaceutical and biotechnology partners. The obligation of delivering these services are simultaneously received and consumed by the private companies; therefore, revenue is recognized ratably over the term contract which is typically the calendar year. Revenue recognized over the term of the contract was approximately \$1,543,000 and \$1,495,000 for the years ended December 31, 2020 and 2019, respectively. The amount recognized is based on a fixed price established in the contract which represents the amount of consideration expected to be received in exchange for performing these services.

Deferred revenue represents advanced payments from nongovernmental agencies where the performance obligation has not yet been met. Deferred revenue associated with these contracts was \$153,537 and \$122,131 as of December 31, 2020 and 2019, respectively. Deferred revenue is considered a contract liability which is expected to be realized within the subsequent year.

[10] Paycheck Protection Program:

There are two acceptable methods for accounting for PPP proceeds received under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Entities can elect to treat the PPP proceeds received as a loan or as a conditional contribution. NDRI has elected to account for the PPP proceeds as a conditional contribution. The agreement includes provisions for forgiveness based on measurable performance barriers related to staffing and salary levels and qualifying expenditures. Any amounts not forgiven will be required to be repaid. PPP funds will be recognized as grant revenue as the conditions on which they depend are substantially met. As of May 14, 2021, the application for forgiveness is in process of being submitted to and reviewed by PNC Bank and the SBA.

[11] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, management and general, and fundraising. Payroll and related expenses are charged to the different functions based on the employees' actual functions performed. Expenses related to more than one function are allocated among the program services and support services benefited. Biomaterial procurement, computers and equipment, laboratory expense, advertising, meeting, exhibit and travel expense, miscellaneous, postage and delivery, printing, promotional materials, remote sites, telephone, and shipping and delivery expenses that are not directly identifiable are allocated to program and supporting services based on the ratio of direct expenses incurred by each function. As all research is performed offsite, expenses such as depreciation, insurance and rent and occupancy are charged to management and general.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Advertising and marketing:

Advertising costs of \$163,471 and \$98,377 for the years ended December 31, 2020 and 2019, respectively, are charged to expenses when incurred.

[13] Federal tax status:

The Internal Revenue Service has classified NDRI as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"), as an organization, contributions to which are deductible under Section 170(c) of the Code, and as an organization that is not a private foundation as defined in Section 509(a) of the Code. Therefore, no provision for income taxes has been included in these financial statements. Management has evaluated the tax positions taken by NDRI, and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

NDRI recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest or penalties recorded for either of the years ended December 31, 2020 or 2019.

[14] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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.

[15] Upcoming accounting pronouncement:

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The ASU's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial condition and disclosing key information. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is evaluating the effect that this new guidance will have on its financial statements and related disclosures.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 3,474,132	\$ 2,231,455
Software costs	2,300,970	1,957,334
	5,775,102	4,188,789
Less accumulated depreciation	2,358,055	1,588,627
	<u>\$ 3,417,047</u>	<u>\$ 2,600,162</u>

Depreciation for the years ended December 31, 2020 and 2019 was \$769,429 and \$83,131, respectively.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE D - LINES-OF-CREDIT

In 2019, NDRI entered into a line-of-credit agreement with a financial institution for maximum borrowings up to \$1,500,000. The terms of the line-of-credit agreement provided for an interest rate at LIBOR plus 2.5% (LIBOR was 0.14% and 1.75% as of December 31, 2020 and 2019, respectively). The line-of-credit was collateralized by a security interest in the equipment that NDRI used the proceeds to purchase. As of December 31, 2020 and 2019, the outstanding balance on this line-of-credit was \$-0- and \$1,093,700, respectively. Effective May 14, 2020, the line-of-credit was converted to a term loan (see Note E).

In August 2019, NDRI entered into a \$1,250,000 line-of-credit to finance operations, which had a maximum borrowing availability of \$343,829, and was net of a \$906,171 letter-of-credit to be used as security for the office lease. The terms of the line-of-credit agreement provided for an interest rate at LIBOR plus 2.5% (LIBOR was 0.14% and 1.75% as of December 31, 2020 and 2019, respectively). In January 2021, the terms of the line-of-credit were amended to adjust the interest rate to LIBOR plus 3.5% and extend the maturity date to May, 31, 2021. As of December 31, 2020 and 2019, the outstanding balance on this line-of-credit was \$-0-.

NOTE E - NOTES PAYABLE

On May 14, 2020, NDRI converted its line-of-credit to a term loan with the same financial institution. The balance of the note was \$1,500,000 at the conversion date. The note is scheduled to mature on May 14, 2027. The note is payable in monthly principal installments of \$17,857, plus interest at LIBOR plus 2.5% (LIBOR was 0.14% as of December 31, 2020). The note is collateralized by a security interest in the equipment that NDRI used the proceeds to purchase. The outstanding balance on this note payable was \$1,375,000 as of December 31, 2020.

On February 28, 2020, NDRI entered into a seven-year interest rate cap agreement with PNC Bank, National Association. Under the terms of the agreement, NDRI effectively capped the variable portion of its interest rate exposure on the notional amount of \$1,375,000 of its note payable from the variable rate to a fixed rate of 3.70%. As of December 31, 2020, the fair value of the interest rate swap agreement was a liability of \$40,348, which is included in the statement of financial position in other noncurrent liabilities. The change in fair value of the interest rate swap agreement of (\$40,348) for the year ended December 31, 2020 is included in the statement of activities and changes in net assets.

In January 2020, NDRI entered into a term loan agreement with a financial institution, whereby NDRI received a principal sum of \$350,000, which is scheduled to mature on May 14, 2027. The note is payable in monthly principal installments of \$4,167, plus interest at LIBOR plus 2.5%. The note is collateralized by a security interest in the equipment that NDRI used the proceeds to purchase. The outstanding balance on this note payable was \$304,167 as of December 31, 2020.

Scheduled future maturities of long-term debt as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 264,286
2022	264,286
2023	264,286
2024	264,286
2025	264,286
Thereafter	<u>357,737</u>
	<u>\$ 1,679,167</u>

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE F - COMMITMENTS

During 2019, NDRI entered into a new lease for office space under an agreement that expires in November 2030. The office space was occupied in March 2020. The lease includes a tenant improvement allowance (see Note B [4]). Rent is payable in monthly installments of approximately \$36,000 to \$46,000 over the term of the lease. Since there are rent escalations throughout the lease term, the lease will be recorded on a straight-line basis. The difference between the straight-line amount expensed and the actual rent paid based on the terms of the lease agreement is recorded in deferred rent on the statements of financial position. NDRI also leases office equipment with monthly lease payments of \$1,782; the equipment leases run through June 2021.

Aggregate approximate future minimum annual lease payments as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 453,000
2022	453,000
2023	465,000
2024	476,000
2025	488,000
Thereafter	<u>2,515,000</u>
	<u>\$ 4,850,000</u>

Total rental expense was \$426,858 and \$390,525 for the years ended December 31, 2020 and 2019, respectively.

NOTE G - CONCENTRATION OF REVENUE

For the years ended December 31, 2020 and 2019, approximately 28% and 26%, respectively, of NDRI's revenue was from federal and state government funding sources. In the event these grants and contracts are discontinued or extremely restricted, the activities of NDRI would be decreased accordingly.

For the years ended December 31, 2020 and 2019, approximately 41% and 50%, respectively, of NDRI's revenue was from biospecimen fees from researchers. Additionally, for the years ended December 31, 2020 and 2019, approximately 22% and 23%, respectively, of NDRI's revenue was from corporate partner contracts. However, no single researcher or corporate partner represents a significant portion of total revenue.

NOTE H - EMPLOYEE BENEFITS PLAN

NDRI sponsors an employee retirement plan established under Section 403(b) of the Internal Revenue Code. NDRI's contributions to the plan, which are based on a percentage of employees' annual compensation, were \$63,904 and \$51,923 for the years ended December 31, 2020 and 2019, respectively.

NATIONAL DISEASE RESEARCH INTERCHANGE

Notes to Financial Statements December 31, 2020 and 2019

NOTE I - CONCENTRATIONS OF CREDIT RISK

NDRI grants credit in the ordinary course of business to various pharmaceutical companies and research institutions located primarily throughout the United States of America. NDRI performs ongoing credit evaluations of its customers and generally does not require collateral. Credit losses have been minimal and within the range of management's expectations.

NDRI maintains its cash in bank accounts in amounts which, at times, may exceed federally insured limits. NDRI has not experienced any losses in such accounts, and management believes that NDRI is not exposed to any significant risk of loss on these accounts.

NOTE J - CONTINGENCIES AND OTHER UNCERTAINTIES

NDRI receives funding from governmental and private agencies. Until the financial information required by these agencies is accepted, costs incurred for program services are subject to review and possible disallowance. In management's opinion, such disallowed costs, if any, would not be material to NDRI's financial results.

The extent of the impact and continuing effects of the outbreak of the coronavirus ("COVID-19") on the operation and financial performance of NDRI will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery time of the disrupted economy, and the consequential staff shortages, or the uncertainty with respect to research and the demand for organs and tissues, all of which are highly uncertain and cannot be predicted.

NOTE K - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 385,459	\$ 822,571
Accounts receivable, net	2,496,013	1,808,719
Other receivables	-	583,840
	<u>\$ 2,881,472</u>	<u>\$ 3,215,130</u>

As part of NDRI's liquidity management plan, NDRI structures itself so that it has sufficient available cash to pay its general expenditures, liabilities, and other obligations as they come due.

NOTE L - SUBSEQUENT EVENTS

NDRI has evaluated subsequent events through May 14, 2021, which is the date the financial statements were available to be issued.

On January 27, 2021, NDRI was approved for and received a second draw of PPP proceeds in the amount of \$588,107 pursuant to the terms of the CARES Act PPP.