

**EISNERAMPER**

**NATIONAL DISEASE  
RESEARCH INTERCHANGE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**



# NATIONAL DISEASE RESEARCH INTERCHANGE

## Contents

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of financial position as of December 31, 2021 and 2020	3
Statements of activities and changes in net assets for the years ended December 31, 2021 and 2020	4
Statements of functional expenses for the years ended December 31, 2021 and 2020	5 - 6
Statements of cash flows for the years ended December 31, 2021 and 2020	7
Notes to financial statements	8 - 16

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
National Disease Research Interchange

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of National Disease Research Interchange ("NDRI"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Disease Research Interchange as of December 31, 2021 and 2020, 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.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to audits contained in Government Auditing Standards, issued by the Comptroller of the United States. 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 NDRI 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 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.

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 NDRI's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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## ***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 auditors' 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 and Government Auditing Standards 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 and Government Auditing Standards, 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 the NDRI'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 the NDRI'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.

*EisnerAmper LLP*

EISNERAMPER LLP  
Philadelphia, Pennsylvania  
May 13, 2022



# NATIONAL DISEASE RESEARCH INTERCHANGE

## Statements of Financial Position

	December 31,	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,269,297	\$ 385,459
Accounts receivable, net of allowance for doubtful accounts of approximately \$368,000 in 2021 and \$97,000 in 2020	1,645,984	2,496,013
Contribution receivable	449,533	-
Inventory	44,910	44,910
Prepaid expenses and deposits	64,658	55,936
	<u>3,474,382</u>	<u>2,982,318</u>
Total current assets		
Property and equipment, net of accumulated depreciation	<u>2,585,399</u>	3,417,047
	<u>\$ 6,059,781</u>	<u>\$ 6,399,365</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 611,041	\$ 662,645
Notes payable	264,286	264,286
Deferred revenue	145,719	153,537
Deferred rent and rent credit	185,995	180,006
	<u>1,207,041</u>	<u>1,260,474</u>
Notes payable, long-term	1,150,595	1,414,881
Other noncurrent liabilities	4,608	40,348
Deferred rent and rent credit, long-term	1,108,210	1,186,297
	<u>3,470,454</u>	<u>3,902,000</u>
Total liabilities		
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>2,589,327</u>	<u>2,497,365</u>
	<u>\$ 6,059,781</u>	<u>\$ 6,399,365</u>

See notes to financial statements.

# NATIONAL DISEASE RESEARCH INTERCHANGE

## Statements of Activities and Changes in Net Assets

	Year Ended December 31,	
	2021	2020
<b>Revenue and other support:</b>		
Biospecimen fees from researchers	\$ 2,865,025	\$ 2,596,356
Ancillary revenue	539,310	1,119,137
Cost of ancillary revenue	(710,166)	(808,908)
Research support contracts:		
Federal and state	2,294,359	1,972,329
Corporate	1,482,841	1,571,735
Contributions	449,533	-
Grant revenue	558,107	600,500
Contributed services	88,915	98,020
Interest and other income	30,284	9,666
	<u>7,598,208</u>	<u>7,158,835</u>
<b>Expenses:</b>		
Program services:		
Human tissue and organ resources for research	2,141,708	2,021,486
Corporate	1,240,509	1,367,352
Special projects	717,262	768,021
	<u>4,099,479</u>	<u>4,156,859</u>
Support services:		
Management and general	3,442,509	3,206,388
	<u>7,541,988</u>	<u>7,363,247</u>
Change in net assets without donor restrictions from operating activities	56,220	(204,412)
<b>Other changes in net assets without donor restrictions:</b>		
Change in fair value of interest rate swap agreement	35,740	(40,348)
Total change in net assets without donor restrictions	91,962	(244,760)
Net assets without donor restrictions at beginning of year	<u>2,497,365</u>	<u>2,742,125</u>
<b>Net assets without donor restrictions at end of year</b>	<u><u>\$ 2,589,327</u></u>	<u><u>\$ 2,497,365</u></u>

See notes to financial statements.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Statement of Functional Expenses Year Ended December 31, 2021

	Program Services			Support Services		
	Human Tissue and Organ Resources for Research	Corporate	Special Projects	Total Program Services	Management and General	Total
Payroll and related expenses	\$ 1,357,938	\$ 274,049	\$ 351,292	\$ 1,983,279	\$ 1,104,587	\$ 3,087,866
Bad debt	-	-	-	-	364,531	364,531
Biomaterial procurement	374,663	568,622	240,182	1,183,467	-	1,183,467
Computers and equipment	28,708	15,904	-	44,612	189,902	234,514
Consulting fees	1,919	881	750	3,550	2,361	5,911
Depreciation	-	-	-	-	930,513	930,513
Dues and subscriptions	-	-	-	-	19,755	19,755
Insurance	-	-	-	-	54,554	54,554
Laboratory	60,931	74,315	11,597	146,843	-	146,843
Advertising	18,292	15,021	-	33,313	101,502	134,815
Meeting, exhibit and travel	1,769	1,760	-	3,529	17,878	21,407
Miscellaneous	-	-	-	-	100,745	100,745
Office supplies	-	-	-	-	12,438	12,438
Postage and delivery	351	110	-	461	1,166	1,627
Printing	490	811	-	1,301	828	2,129
Professional fees	-	-	-	-	220,580	220,580
Remote sites	158,610	101,767	61,000	321,377	-	321,377
Rent and occupancy	-	-	-	-	295,142	295,142
Telephone	-	28,822	-	28,822	26,027	54,849
Shipping and delivery	138,037	158,447	52,441	348,925	-	348,925
Total expense included in the expense section on the statement of activities and changes in net assets	<u>\$ 2,141,708</u>	<u>\$ 1,240,509</u>	<u>\$ 717,262</u>	<u>\$ 4,099,479</u>	<u>\$ 3,442,509</u>	<u>\$ 7,541,988</u>
Plus expenses included with revenue on the statement of activities and changes in net assets						
Cost of ancillary revenue:						
Payroll and related expenses	333,832	-	-	333,832	-	333,832
Biomaterial procurement	363,910	-	-	363,910	-	363,910
Consulting fees	3,671	-	-	3,671	-	3,671
Advertising	8,753	-	-	8,753	-	8,753
Total cost of ancillary revenue	<u>710,166</u>	<u>-</u>	<u>-</u>	<u>710,166</u>	<u>-</u>	<u>710,166</u>
Total functional expenses	<u>\$ 2,851,874</u>	<u>\$ 1,240,509</u>	<u>\$ 717,262</u>	<u>\$ 4,809,645</u>	<u>\$ 3,442,509</u>	<u>\$ 8,252,154</u>

See notes to financial statements.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Statement of Functional Expenses Year Ended December 31, 2020

	Program Services			Support Services		
	Human Tissue and Organ Resources for Research	Corporate	Special Projects	Total Program Services	Management and General	Total
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
Computers and equipment	-	-	-	-	-	-
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 expense included in the expense section on the statement of activities and changes in net assets	<u>\$ 2,021,486</u>	<u>\$ 1,367,352</u>	<u>\$ 768,021</u>	<u>\$ 4,156,859</u>	<u>\$ 3,206,388</u>	<u>\$ 7,363,247</u>
Plus expenses included with revenue on the statement of activities and changes in net assets						
Cost of ancillary revenue:						
Payroll and related expenses	413,200	-	-	413,200	-	413,200
Biomaterial procurement	383,386	-	-	383,386	-	383,386
Consulting fees	2,968	-	-	2,968	-	2,968
Rent and occupancy	697	-	-	697	-	697
Advertising	8,657	-	-	8,657	-	8,657
Total cost of ancillary revenue	<u>808,908</u>	<u>-</u>	<u>-</u>	<u>808,908</u>	<u>-</u>	<u>808,908</u>
Total functional expenses	<u>\$ 2,830,394</u>	<u>\$ 1,367,352</u>	<u>\$ 768,021</u>	<u>\$ 4,965,767</u>	<u>\$ 3,206,388</u>	<u>\$ 8,172,155</u>

See notes to financial statements.



# NATIONAL DISEASE RESEARCH INTERCHANGE

## Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 91,962	\$ (244,760)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	930,513	769,429
Change in allowance for doubtful accounts	270,981	-
Change in fair value of interest rate swap agreement	(35,740)	40,348
Change in deferred rent	47,432	44,346
Amortization of deferred rent credit	(138,564)	(109,696)
Changes in assets and liabilities:		
Accounts receivable	579,048	(687,294)
Contribution receivable	(449,533)	-
Prepaid expenses and deposits	(8,722)	149,392
Accounts payable and accrued expenses	(51,604)	71,353
Unexpended federal program income	-	(99,563)
Deferred revenue	(7,818)	31,406
Net cash provided by (used in) operating activities	<u>1,227,955</u>	<u>(35,039)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(98,865)</u>	<u>(2,299,154)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from lines-of-credit	-	406,300
Proceeds from notes payable	-	350,000
Repayments of notes payable	(264,286)	(170,833)
Proceeds from tenant improvement allowance	<u>19,034</u>	<u>1,311,614</u>
Net cash provided by (used in) financing activities	<u>(245,252)</u>	<u>1,897,081</u>
<b>Net increase (decrease) in cash</b>	<b>883,838</b>	<b>(437,112)</b>
Cash at beginning of year	<u>385,459</u>	<u>822,571</u>
<b>Cash at end of year</b>	<u><u>\$ 1,269,297</u></u>	<u><u>\$ 385,459</u></u>

See notes to financial statements.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### 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:

(i) *Net assets without donor restrictions:*

Net assets available for use in general operations and not subject to donor-imposed or certain grantor-imposed restrictions.

(ii) *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, 2021 and 2020, NDRI did not have any net assets with donor restrictions.

# NATIONAL DISEASE RESEARCH INTERCHANGE

## Notes to Financial Statements December 31, 2021 and 2020

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [3] Accounts receivable, contribution receivable and allowance for doubtful accounts:

Accounts receivable and contribution 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 \$368,000 was deemed necessary as of December 31, 2021 and \$97,000 in 2020.

#### [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 years ended December 31, 2021 and 2020 were \$19,034 and \$1,311,614, respectively. These amounts were fully collected during the years ended December 31, 2021 and 2020.

The deferred rent credit was \$1,202,427 and \$1,321,957 as of December 31, 2021 and 2020, respectively.

#### [5] Inventory:

Inventory represents procured tissues in laboratory facilities available for shipment to researchers. The value of tissue inventories as of December 31, 2021 and 2020 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. Expenditures for major renewals and betterments are capitalized, while minor replacements, repairs, and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred. 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, 2021 or 2020.

#### [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, 2021 and 2020, NDRI recognized \$88,915 and \$98,020, 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, 2021 and 2020

### 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. Conditional amounts of \$4,846,882 and \$1,017,726 were not yet recognized on government grants in progress as of December 31, 2021 or 2020, respectively.

On January 27, 2021 and 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 \$588,107 and \$600,500, respectively. The funding was 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. During the years ended December 31, 2021 and 2020, \$588,107 and \$600,500, respectively, of the grant was used for qualified expenditures, including payroll, rent, mortgage interest, and utilities, and thus was recognized as grant revenue on the statements 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. On January 27, 2022 and July 2, 2021, NDRI was notified that both the SBA and the bank forgave the grants received on January 27, 2021 and April 28, 2020, respectively, in full.

The Coronavirus Aid, Relief and Economic Security Act ("CARES" Act) provided an employee retention credit ("CARES Employee Retention credit"), which was a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee is \$10,000 of qualified wages per quarter through December 31, 2021. During the fiscal year ended December 31, 2021, NDRI recorded \$449,533 related to the CARES Employee Retention credit in contribution revenue on NDRI's statements of activity and changes in net assets. As of December 31, 2021, the Organization has \$449,533 a receivable balance from the United States government related to the CARES Act, which is recorded in contribution receivable on the Organization's statements of financial position.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [9] Revenue recognition - services:

###### *Biospecimen fees from researchers and ancillary revenue:*

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 and ancillary 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 and ancillary revenue from researchers are fixed and are agreed to in advance based on the type of tissue or organ being requested, the condition, and the cost incurred by NDRI as part of procuring the sample. Researchers are invoiced subsequent to the specimens being shipped with collection expected soon after.

Ancillary revenue is derived from the performance obligation of procurement and distribution of human tissues and organs for certain grants and contracts. Revenue is recognized when the performance obligation is met, which is at a point in time when the product is shipped to the customer. The amount recognized is the amount that or which reflects the consideration expected to be received. Management has elected to offset ancillary revenue with related costs in the statement of activities and changes in net assets. At times, costs exceed revenue earned.

###### *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 \$138,000 and \$28,000 for the years ended December 31, 2021 and 2020, 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 \$1,328,000 and \$1,543,000 for the years ended December 31, 2021 and 2020, 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 \$145,719 and \$153,537 as of December 31, 2021 and 2020, respectively. Deferred revenue is considered a contract liability which is expected to be realized within the subsequent year.

##### [10] Paycheck Protection Program:

NDRI received PPP loans under the CARES Act. NDRI has elected to account for the PPP loans as conditional contributions under Accounting Standards Update ("ASU") 2018-08. The loan agreements include provisions for loan 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 contribution income, as the conditions on which they depend are substantially met.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [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.

##### [12] Advertising and marketing:

Advertising costs of \$134,815 and \$163,471 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 or 2020.

##### [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 pronouncements:

In February 2016, Financial Accounting Standards Board ("FASB") issued 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.

In September 2020, FASB issued ASU 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statement of activities and changes in net assets. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. The ASU does allow for early adoption. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [15] Upcoming accounting pronouncements: (continued)

In March 2020, FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by ASU 2020-04 do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.

On March 5, 2021, the applicable regulators announced that LIBOR will cease to be provided and will no longer be representative (i) immediately after December 31, 2021 for all sterling, euro, Swiss franc and Japanese yen settings, and the one-week and two-month U.S. dollar settings and (ii) immediately after June 30, 2023 for the remaining U.S. dollar settings.

NDRI debt bears interest based on the one month LIBOR rate which will cease to be provided after June 30, 2023. At that time an alternative benchmark rate that has been selected by the lender will be used to replace LIBOR.

##### [16] Reclassification:

Certain amounts in the 2020 financial statements have been reclassified to conform to the current year presentation.

#### NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	<b>\$ 3,526,692</b>	\$ 3,474,132
Software costs	<b>2,347,275</b>	2,300,970
	<b>5,873,967</b>	5,775,102
Less: accumulated depreciation	<b>3,288,568</b>	2,358,055
	<b><u>\$ 2,585,399</u></b>	<b><u>\$ 3,417,047</u></b>

Depreciation for the years ended December 31, 2021 and 2020 was \$930,513 and \$769,429, respectively.

#### NOTE D - LINES-OF-CREDIT

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 0.09% and .14% as of December 31, 2021 and 2020, 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. The line of credit was subsequently extended to May 31, 2022. As of December 31, 2021 and 2020, the outstanding balance on this line-of-credit was \$-0-.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### 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 0.09% and 0.14% as of December 31, 2021 and 2020, respectively). 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 \$1,160,714 and \$1,375,000 as of December 31, 2021 and 2020, respectively.

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 \$1,160,714 of its note payable from the variable rate to a fixed rate of 3.70%. As of December 31, 2021 and 2020, the fair value of the interest rate swap agreement was a liability of \$4,608 and \$40,348, respectively, which is included in the statements of financial position in other noncurrent liabilities. The change in fair value of the interest rate swap agreement of \$35,740 and (\$40,348) for the years ended December 31, 2021 and 2020 is included in the statements 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 \$254,167 and \$304,167 as of December 31, 2021 and 2020, respectively.

Scheduled future maturities of long-term debt as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 264,286
2023	264,286
2024	264,286
2025	264,286
2026	264,286
Thereafter	<u>93,451</u>
	1,414,881
Less: current maturities	<u>(264,286)</u>
	<u>\$ 1,150,595</u>

#### 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 ran through June 2021.



## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### NOTE F - COMMITMENTS

Aggregate approximate future minimum annual lease payments as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 472,082
2023	482,672
2024	492,055
2025	493,495
2026	500,467
Thereafter	<u>2,014,476</u>
	<u>\$ 4,455,247</u>

Total rental expense was \$368,737 and \$426,858 for the years ended December 31, 2021 and 2020, respectively.

#### NOTE G - CONCENTRATION OF REVENUE

For the years ended December 31, 2021 and 2020, approximately 30% and 28%, 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, 2021 and 2020, approximately 35% and 41%, respectively, of NDRI's revenue was from biospecimen fees from researchers. Additionally, for the years ended December 31, 2021 and 2020, approximately 19% and 22%, 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 \$72,626 and \$63,904 for the years ended December 31, 2021 and 2020, respectively.

#### 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.

## NATIONAL DISEASE RESEARCH INTERCHANGE

### Notes to Financial Statements December 31, 2021 and 2020

#### 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.

#### 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash	<b>\$ 1,269,297</b>	\$ 385,459
Accounts receivable, net	<b><u>2,095,517</u></b>	<u>2,496,013</u>
	<b><u>\$ 3,364,814</u></b>	<b><u>\$ 2,881,472</u></b>

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 13, 2022, which is the date the financial statements were available to be issued.