

Health Research Alliance, Inc.

Report on Audits of Financial Statements

for the years ended December 31, 2023 and 2022

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CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



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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, 2023 and 2022, 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, 2023 and 2022, 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 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 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 15, 2024

Health Research Alliance, Inc.
Statements of Financial Position
December 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 146,635	\$ 230,211
Certificates of deposit	615,181	650,306
Membership dues receivable	22,500	-
Prepaid expenses	<u>21,024</u>	<u>20,912</u>
Total current assets	<u>805,340</u>	<u>901,429</u>
Property and equipment:		
Computer equipment	4,012	4,425
Website and software	<u>99,972</u>	<u>99,972</u>
	103,984	104,397
Less accumulated depreciation and amortization	<u>90,081</u>	<u>83,273</u>
Property and equipment, net	<u>13,903</u>	<u>21,124</u>
 Total assets	 \$ <u>819,243</u>	 \$ <u>922,553</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 10,993	\$ 4,167
Accrued compensation	24,225	17,483
Deferred membership dues	<u>2,500</u>	<u>6,250</u>
Total current liabilities	<u>37,718</u>	<u>27,900</u>
Net Assets:		
Without donor restrictions	752,753	737,760
With donor restrictions	<u>28,772</u>	<u>156,893</u>
Total net assets	<u>781,525</u>	<u>894,653</u>
 Total liabilities and net assets	 \$ <u>819,243</u>	 \$ <u>922,553</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, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenues, support and gains:			
Membership dues	\$ 556,451	\$ -	\$ 556,451
Contributions and grants	-	-	-
Net certificates of deposit return	11,875	-	11,875
Interest	<u>27,292</u>	-	<u>27,292</u>
Total revenues, support and gains	<u>595,618</u>	<u>-</u>	<u>595,618</u>
Net assets released from restrictions	<u>128,121</u>	<u>(128,121)</u>	<u>-</u>
Expenses:			
Program services	504,219	-	504,219
Management and general	108,814	-	108,814
Membership development	<u>95,713</u>	-	<u>95,713</u>
Total expenses	<u>708,746</u>	<u>-</u>	<u>708,746</u>
Changes in net assets	14,993	(128,121)	(113,128)
Net assets, beginning of year	<u>737,760</u>	<u>156,893</u>	<u>894,653</u>
Net assets, end of year	\$ <u><u>752,753</u></u>	\$ <u><u>28,772</u></u>	\$ <u><u>781,525</u></u>

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

2022

<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
\$ 518,370	\$ -	\$ 518,370
9,000	129,000	138,000
5,823	-	5,823
<u>1,537</u>	<u>-</u>	<u>1,537</u>
<u>534,730</u>	<u>129,000</u>	<u>663,730</u>
<u>880</u>	<u>(880)</u>	<u>-</u>
410,643	-	410,643
66,288	-	66,288
<u>97,581</u>	<u>-</u>	<u>97,581</u>
<u>574,512</u>	<u>-</u>	<u>574,512</u>
(38,902)	128,120	89,218
<u>776,662</u>	<u>28,773</u>	<u>805,435</u>
\$ <u>737,760</u>	\$ <u>156,893</u>	\$ <u>894,653</u>

Health Research Alliance, Inc.
 Statements of Functional Expenses
 for the years ended December 31, 2023 and 2022

	2023			
	Program Services	Management and General	Membership Development	Total
Salaries and benefits	\$ 336,837	\$ 59,331	\$ 88,560	\$ 484,728
Consultants	35,875	-	-	35,875
Systems expenses	79,481	1,163	1,736	82,380
Travel and meetings	2,454	-	-	2,454
Professional services	5,001	45,421	1,315	51,737
Depreciation and amortization	6,285	1,107	1,653	9,045
Telephone	3,772	664	992	5,428
Dues and fees	3,700	803	972	5,475
Printing, postage and supplies	-	-	-	-
Member meetings	28,968	-	-	28,968
Insurance	1,846	325	485	2,656
	\$ 504,219	\$ 108,814	\$ 95,713	\$ 708,746

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

2022

<u>Program Services</u>	<u>Management and General</u>	<u>Membership Development</u>	<u>Total</u>
\$ 266,542	\$ 31,481	\$ 88,718	\$ 386,741
16,895	-	-	16,895
78,364	1,079	3,041	82,484
1,705	-	-	1,705
21,686	31,457	865	54,008
7,071	835	2,353	10,259
3,908	462	1,301	5,671
2,028	753	675	3,456
141	15	48	204
10,561	-	-	10,561
1,742	206	580	2,528
<u>\$ 410,643</u>	<u>\$ 66,288</u>	<u>\$ 97,581</u>	<u>\$ 574,512</u>

Health Research Alliance, Inc.
 Statements of Cash Flows
 for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets	\$ (113,128)	\$ 89,218
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net certificates of deposit return	(11,875)	(2,973)
Depreciation and amortization	9,045	10,259
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Membership dues receivable	(22,500)	-
Prepaid expenses	(112)	(2,712)
Increase (decrease) in liabilities:		
Accounts payable	6,826	971
Accrued compensation	6,742	1,077
Agency fund	-	(499,940)
Deferred membership dues	<u>(3,750)</u>	<u>(6,250)</u>
Net cash used in operating activities	<u>(128,752)</u>	<u>(410,350)</u>
 Cash flows from investing activities:		
Purchases of certificates of deposit	(1,100,000)	(1,047,000)
Proceeds from sales of certificates of deposit	1,147,000	844,000
Purchase of property and equipment	<u>(1,824)</u>	<u>(13,112)</u>
Net cash provided by (used in) investing activities	<u>45,176</u>	<u>(216,112)</u>
 Net decrease in cash	(83,576)	(626,462)
 Cash at beginning of year	<u>230,211</u>	<u>856,673</u>
 Cash at end of year	\$ <u>146,635</u>	\$ <u>230,211</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, 2023 and 2022. At December 31, 2023 and 2022, the Alliance did not have any cash deposits in excess of amounts insured by the Federal Deposit Insurance Corporation.

Receivables

Receivables consist of membership dues and 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 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, 2023 and 2022 were \$9,045 and \$10,259, 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, 2023 and 2022, 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, 2023 and 2022

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, 2023 and May 15, 2024 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>2023</u>	<u>2022</u>
Cash	\$ 146,635	\$ 230,211
Certificates of deposit	615,181	650,306
Receivables	<u>22,500</u>	<u>-</u>
Total financial assets	784,316	880,517
Less amounts not available for general expenditures within one year:		
Donor-restricted	<u>(28,772)</u>	<u>(156,893)</u>
Total financial assets available for general expenditures within one year	\$ <u><u>755,544</u></u>	\$ <u><u>723,624</u></u>

Health Research Alliance, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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. All amounts collected from funders to the Collaborative were paid out in 2022.

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, 2023 and 2022, the Alliance collected \$119,368 and \$112,500, respectively, from affiliated members for dues. Additionally, \$60,000 was contributed during the year ended December 31, 2022, by an affiliated member organization.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Inclusive Grant Making Initiative	\$ 28,772	\$ 137,340
Exploring the Value of Open	-	9,000
Regulatory Science Initiative	-	7,553
Member meetings support	-	3,000
	<u>\$ 28,772</u>	<u>\$ 156,893</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, 10% of the Alliance's expenses were paid to a database management company. At December 31, 2023, 100% of the Alliance's receivables were due from one member. At December 31, 2023 and 2022, 74% and 91% of the Alliance's payables were due to three and 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.