

**DRUGS FOR NEGLECTED DISEASES INITIATIVE
NORTH AMERICA, INC.**

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2021

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
Drugs For Neglected Diseases Initiative North America, Inc.
New York, New York**

Opinion

We have audited the accompanying financial statements of Drugs for Neglected Diseases Initiative North America, Inc. (“**DNDi NA**”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DNDi NA as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DNDi NA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 DNDi NA’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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.

**Board of Directors
Drugs For Neglected Diseases Initiative North America, Inc.
New York, New York**

In performing an audit in accordance with generally accepted 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 DNDi NA'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 DNDi NA'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

Report on Summarized Comparative Information

We have previously audited DNDi NA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**New York, New York
July 29, 2022**

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,352,772	\$ 1,486,431
Prepaid expenses and other assets	<u>19,873</u>	<u>20,050</u>
Total assets	<u>\$ 1,372,645</u>	<u>\$ 1,506,481</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 32,041	\$ 34,805
Grants payable	390,488	686,178
Payroll liabilities	<u>103,094</u>	<u>98,185</u>
Total liabilities	<u>525,623</u>	<u>819,168</u>
NET ASSETS		
Without donor restrictions	<u>847,022</u>	<u>687,313</u>
Total net assets	<u>847,022</u>	<u>687,313</u>
Total liabilities and net assets	<u>\$ 1,372,645</u>	<u>\$ 1,506,481</u>

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
Revenue and Other Support		
Contributions (<i>Note 2</i>)	\$ 3,374,443	\$ 3,369,173
PPP grants	234,609	184,816
Corporate	750	280
Foundations	543,089	183,314
Interest income and other	<u>399</u>	<u>679</u>
Total revenue and other support	<u>4,153,290</u>	<u>3,738,262</u>
Expenses		
Program services	<u>3,137,072</u>	<u>2,561,085</u>
Total program services	<u>3,137,072</u>	<u>2,561,085</u>
Supporting services		
Management and general	382,695	425,259
Fundraising	<u>473,814</u>	<u>599,227</u>
Total supporting services	<u>856,509</u>	<u>1,024,486</u>
Total expenses	<u>3,993,581</u>	<u>3,585,571</u>
Change in net assets	159,709	152,691
Net Assets		
Beginning of year	<u>687,313</u>	<u>534,622</u>
End of year	<u>\$ 847,022</u>	<u>\$ 687,313</u>

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2021 With Summarized Information For 2020

	2021			2020	
	Program Services	Management And General	Fundraising	Total	Total
Salaries and Benefits	\$ 788,211	\$ 312,310	\$ 386,669	\$ 1,487,190	\$ 1,521,807
Grant – Research & Development	2,171,220	-	-	2,171,220	1,652,580
Communications and Education	94,975	37,632	46,591	179,198	227,532
Professional Fees	23,897	9,468	11,723	45,088	40,222
Transportation and Travel	4,215	1,670	2,068	7,953	27,351
Rent	15,900	6,300	7,800	30,000	57,500
IT and Telephone	3,930	1,557	1,928	7,415	10,268
Office Supplies and Other	22,291	8,832	10,936	42,059	33,453
Conferences and Events	1,151	456	564	2,171	5,081
Insurance	5,888	2,333	2,889	11,110	4,832
Bank Fees	<u>5,394</u>	<u>2,137</u>	<u>2,646</u>	<u>10,177</u>	<u>4,945</u>
Total Expenses – 2021	<u>\$ 3,137,072</u>	<u>\$ 382,695</u>	<u>\$ 473,814</u>	<u>\$ 3,993,581</u>	
Total Expenses – 2020	<u>\$ 2,561,085</u>	<u>\$ 425,259</u>	<u>\$ 599,227</u>		<u>\$ 3,585,571</u>

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
INCREASE IN CASH		
<i>Change in net assets</i>	\$ 159,709	\$ 152,691
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Decrease in prepaid expenses and other assets	177	26,699
Decrease in accounts payable	(2,764)	(16,211)
Increase (decrease) in grants payable	(295,690)	26,488
Increase (decrease) in payroll liabilities	<u>4,909</u>	<u>(8,681)</u>
Net cash provided by (used for) operating activities	(133,659)	180,986
<i>Cash and cash equivalents</i>		
Beginning of year	<u>1,486,431</u>	<u>1,305,445</u>
End of year	<u>\$ 1,352,772</u>	<u>\$ 1,486,431</u>

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 And 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Drugs for Neglected Diseases Initiative North America, Inc. (“**DNDi NA**”) is a not-for-profit organization whose primary purpose is to conduct activities that support or benefit the Drugs for Neglected Diseases Initiative (Geneva, Switzerland) (“**DNDi**”). These activities include making grants to support programs, projects and activities of DNDi that (1) stimulate and support research and development primarily of drugs, as well as vaccines and diagnostics for neglected diseases; (2) promote equitable access and development of new drugs, new formulations of existing drugs, and encourage production of known effective drugs, diagnostic methods and/or vaccines for neglected diseases; (3) adopt new treatments for neglected diseases to meet patient needs, as well as to meet the requirements of delivery and production capacity in developing countries; and (4) raise awareness of the need to research and develop drugs for neglected diseases.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

DNDi NA considers money market funds to be cash equivalents.

REVENUE RECOGNITION

DNDi NA recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met. DNDi NA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restriction”. Revenue that is restricted by the donor is recorded as increases without donor restriction if the restrictions expire in the fiscal year in which the revenue was recorded. Gifts-in-kind are recorded at fair value on the date of receipt.

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of DNDi NA are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of the DNDi NA.

With donor restrictions – Net assets that are subject to donor-imposed stipulations. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as “net assets released from restrictions.” There were no net assets with donor restrictions as of December 31, 2021 and 2020.

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

INCOME TAXES

DNDi NA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), and has been classified as an organization, which is not a private foundation under Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2018 – 2020) or expected to be taken on DNDi NA’s 2021 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. DNDi’s expenses are allocated based on analysis of time and effort.

PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with DNDi NA’s financial statements for the year ended December 31, 2020, from which the summarized information was derived.

ACCOUNTING PRONOUNCEMENTS – NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. DNDi NA plans to adopt the new ASU at the required implementation date.

(2) CONCENTRATIONS

DNDi NA receives annual funding from DNDi in Geneva, Switzerland and from another not-for-profit organization. For the years ended December 31, 2021 and 2020, these sources of revenue comprise approximately 69% and 79%, respectively, of the total funding of DNDi NA.

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(3) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

Commencing on March 6, 2018, DNDi NA entered into a new lease agreement for its office space under a one year period with two, one year extension options, which were both exercised. Rent expense was \$30,000 and \$57,500 for the years ended December 31, 2021 and 2020, respectively.

Monthly rent payments under the lease were \$5,000 through November 2020. DNDi NA was granted a reduction in its monthly payments to \$2,500 beginning in December 2020. On March 10, 2021, DNDi NA extended the lease for an addition year running through March 31, 2022. Future minimum lease payments under the lease is as follows at December 31, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$7,500</u>

(5) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

DNDi NA strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects DNDi NA's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor and/or contractual restrictions.

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	<u>\$1,352,772</u>	<u>\$1,486,431</u>
Total financial assets	1,352,772	1,486,431
Less:		
Grants payable	<u>(390,488)</u>	<u>(686,178)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 962,284</u>	<u>\$ 800,253</u>

(6) PENSION PLAN

DNDi NA has a plan qualified under Section 403(b) that covers all eligible employees. Contributions to the plan are made at the discretion of the Board of Directors and are limited to 9% of the employee's annual salary.

During the years ended December 31, 2021 and 2020, DNDi NA made contributions of \$88,454 and \$91,130, respectively.

DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(7) COVID-19 AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak will affect virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on DNDi NA’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on DNDi NA’s funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

In May 2020, DNDi NA received \$184,816 in funds from the federal Paycheck Protection Program (PPP). The PPP loan was designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive loans if all employees are kept on the payroll for a specific period of time and the money is used for certain allowable costs. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 24 months. The AICPA released guidance on recording options and DNDi NA had decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP was recorded as a liability until the conditions were substantially met. When DNDi NA had substantially met the conditions of the program and qualifying expenses were incurred, the cancellation of the liability was recorded as revenue. As of December 31, 2020, DNDi NA had met conditions and incurred expense in the amount of \$184,816 and this amount was included in the Statement of Activities and Changes in Net Assets as PPP grant revenue. On February 2, 2022, DNDi NA was notified by the SBA that the loan was forgiven.

On May 14, 2021, DNDi NA received a \$234,609 loan under the Small Business Administration’s (“SBA”) Paycheck Protection Program Second Draw Loan (“PPP Second Draw Loan”) under the Consolidated Appropriations Act 2021, Additional Coronavirus Response and Relief provisions. PPP Second Draw Loans are eligible for forgiveness if DNDi NA incurs qualifying expenses over a period of time not to exceed 24 weeks. The period of time in which qualifying expenses may be incurred commences upon receipt of the loan. Any portion of the loan not forgiven is payable over a 5-year period at an interest rate of 1%. DNDi NA considered the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Second Draw Loan agreement and as such, would recognize contribution income when these conditions were substantially met. As of December 31, 2021, DNDi NA believes it has met conditions and incurred expense in the amount of \$234,609 and this amount has been included in the Statement of Activities and Changes in Net Assets as PPP grant revenue. On February 24, 2022, DNDi NA was notified by the SBA that the loan was forgiven.

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 29, 2022, have been evaluated in the preparation of the financial statements.