

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

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

**DECEMBER 31, 2016**

# 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**

We have audited the accompanying financial statements of Drugs for Neglected Diseases Initiative North America, Inc. (“DNDi NA”), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 organization'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 organization'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 above present fairly, in all material respects, the financial position of Drugs for Neglected Diseases Initiative North America, Inc. as of December 31, 2016, 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.

### *Report on Summarized Comparative Information*

We have previously audited DNDi NA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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  
May 8, 2017**

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2016 And 2015

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 565,979	\$ 302,907
Government grant receivable	221,220	397,920
Prepaid expenses	<u>8,099</u>	<u>9,768</u>
<b>Total assets</b>	<u>\$ 795,298</u>	<u>\$ 710,595</u>
<b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 44,180	\$ 27,617
Grants payable	182,004	344,247
Payroll liabilities	<u>2,500</u>	<u>4,373</u>
<b>Total liabilities</b>	<u>228,684</u>	<u>376,237</u>
<b>NET ASSETS</b>		
Unrestricted	535,909	334,358
Temporarily restricted ( <i>Note 5</i> )	<u>30,705</u>	<u>-</u>
<b>Total net assets</b>	<u>566,614</u>	<u>334,358</u>
<b>Total liabilities and net assets</b>	<u>\$ 795,298</u>	<u>\$ 710,595</u>

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Revenue and Other Support</b>				
Seed Funding – DNDi ( <i>Note 2</i> )	\$ 1,250,604	\$ -	\$ 1,250,604	\$ 1,149,640
Contributions ( <i>Note 3</i> )	1,121,969	5,705	1,127,674	1,090,408
Government	807,192	-	807,192	584,232
Corporate	1,250	-	1,250	600
Foundations	7,021	25,000	32,021	41,777
Interest income	<u>241</u>	<u>-</u>	<u>241</u>	<u>92</u>
<b>Total revenue and other support</b>	<u>3,188,277</u>	<u>30,705</u>	<u>3,218,982</u>	<u>2,866,749</u>
<b>Expenses</b>				
Salaries	463,038	-	463,038	531,692
Employee benefits and payroll taxes	<u>168,135</u>	<u>-</u>	<u>168,135</u>	<u>194,482</u>
<b>Total salaries and related costs</b>	631,173	-	631,173	726,174
Grants – Research & Development	1,790,202	-	1,790,202	1,503,658
Communication and education	333,633	-	333,633	187,751
Professional fees	20,714	-	20,714	21,711
Transportation and travel	99,394	-	99,394	87,370
Recruiting costs	1,288	-	1,288	340
Rent	43,680	-	43,680	41,600
IT and telephone	20,694	-	20,694	28,433
Office supplies and other	18,161	-	18,161	16,490
Conferences and events	22,181	-	22,181	24,352
Insurance	2,097	-	2,097	3,025
Bank fees	<u>3,509</u>	<u>-</u>	<u>3,509</u>	<u>3,614</u>
<b>Total expenses</b>	<u>2,986,726</u>	<u>-</u>	<u>2,986,726</u>	<u>2,644,518</u>
<b>Change in net assets</b>	201,551	30,705	232,256	222,231
<b>Net Assets</b>				
Beginning of year	<u>334,358</u>	<u>-</u>	<u>334,358</u>	<u>112,127</u>
<b>End of year</b>	<u>\$ 535,909</u>	<u>\$ 30,705</u>	<u>\$ 566,614</u>	<u>\$ 334,358</u>

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2016 And 2015

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	<u>2016</u>	<u>2015</u>
<b>INCREASE IN CASH</b>		
<i>Change in net assets</i>	\$ 232,256	\$ 222,231
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
(Increase) decrease in government grant receivable	176,700	(361,380)
Decrease in accounts receivable	-	1,082
Decrease in prepaid expenses	1,669	2,505
Increase in accounts payable	16,563	16,460
Increase (decrease) in grants payable	(162,243)	316,477
Decrease in payroll liabilities	(1,873)	(10,684)
Decrease in deferred revenue	<u>-</u>	<u>(50,000)</u>
<b>Net cash provided by operating activities</b>	263,072	136,691
<i>Cash and cash equivalents</i>		
Beginning of year	<u>302,907</u>	<u>166,216</u>
<b>End of year</b>	<u>\$ 565,979</u>	<u>\$ 302,907</u>

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

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### (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.

#### **U.S. GOVERNMENT GRANTS**

DNDi NA records revenues under these contracts as expenses are incurred as these contracts are structured as exchange transactions and not as restricted or unrestricted grants. Funds received in advance of expenses incurred are reported as deferred revenue. In 2014, DNDi NA was awarded a USAID grant in the amount of \$10 million (\$5 million obligated) commencing September 2014 and ending September 2019. The objective of the award is to improve patient care and contribute to efforts to treat, control and eliminate filarial infections (onchocerciasis, lymphatic filariasis and loiasis) by developing a safe, efficacious, affordable and field-adapted macrofilaricidal drug.

#### **CONTRIBUTIONS**

DNDi NA reports gifts of cash and other assets when received and 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restriction”. Gifts-in-kind are recorded at fair value on the date of receipt.

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

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### *NET ASSETS*

The DNDi NA's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of DNDi NA and changes therein are classified and reported as follows:

*Unrestricted net assets* – Unrestricted net assets include the net assets that are associated with the principal mission of DNDi NA.

*Temporarily restricted net assets* – Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

### *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 (2013 – 2015) or expected to be taken on DNDi NA's 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

## (2) CONTRIBUTIONS FROM DNDi

DNDi NA receives its seed funding from DNDi in Geneva, Switzerland, a separate organization. During the years ended December 31, 2016 and 2015, such funding was \$1,250,604 and \$1,149,640, respectively.

## (3) CONCENTRATIONS

For the years ended December 31, 2016 and 2015, one donor provided approximately 31% and 33% respectively, of the total contributions, including seed funding from DNDi NA.

## (4) LEASE COMMITMENTS

DNDi NA operates under a lease extension which provides for an automatic renewable for a ninety-day extension. Rent expense was \$43,680 and \$41,600 for the years ended December 31, 2016 and 2015, respectively.

# DRUGS FOR NEGLECTED DISEASES INITIATIVE NORTH AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

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### (5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Sleeping Sickness Campaign	<u>\$30,705</u>	<u>\$ -</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, 2016 and 2015, DNDi NA made contributions of \$33,199 and \$40,733, respectively.

### (7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 8, 2017, have been evaluated in the preparation of the financial statements.