



National
Foundation
for Transplants

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Foundation for Transplants, Inc.

We have audited the accompanying financial statements of National Foundation for Transplants, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Transplants, Inc. as of June 30, 2019 and 2018, 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.

Watkins Uiberall, PLLC

Memphis, Tennessee
October 28, 2019

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 234,036	\$ 136,914
Investments	2,679,905	3,464,761
Prepaid expenses and other	55,575	52,175
Furniture and equipment, net	4,593	8,534
Intangible assets, net	<u>147,858</u>	<u>-</u>
Total assets	<u>\$ 3,121,967</u>	<u>\$ 3,662,384</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 2,094	\$ 11,398
Accrued expenses	33,888	35,844
Deferred rent	<u>17,312</u>	<u>28,490</u>
Total liabilities	53,294	75,732
Net Assets		
Without donor restrictions	2,860,545	3,354,524
With donor restrictions	<u>208,128</u>	<u>232,128</u>
Total net assets	<u>3,068,673</u>	<u>3,586,652</u>
Total liabilities and net assets	<u>\$ 3,121,967</u>	<u>\$ 3,662,384</u>

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 3,193,920	\$ -	\$ 3,193,920
General operations	86,887	-	86,887
Fundraising and special event product sales	50,712	-	50,712
Less: costs of direct benefits to donors	(17,051)	-	(17,051)
Interest and dividends	66,265	-	66,265
Net investment return	72,512	-	72,512
Net assets released from restrictions	24,000	(24,000)	-
Total revenues and support	<u>3,477,245</u>	<u>(24,000)</u>	<u>3,453,245</u>
Expenses			
Program services	3,370,545	-	3,370,545
Management and general	255,354	-	255,354
Fundraising	345,325	-	345,325
Total expenses	<u>3,971,224</u>	<u>-</u>	<u>3,971,224</u>
Change in net assets	(493,979)	(24,000)	(517,979)
Net assets, beginning of year	<u>3,354,524</u>	<u>232,128</u>	<u>3,586,652</u>
Net assets, end of year	<u>\$ 2,860,545</u>	<u>\$ 208,128</u>	<u>\$ 3,068,673</u>

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 3,267,431	\$ -	\$ 3,267,431
General operations	91,241	-	91,241
Fundraising and special event product sales	49,132	-	49,132
Less: costs of direct benefits to donors	(16,082)	-	(16,082)
Interest and dividends	95,543	-	95,543
Net investment return	107,949	-	107,949
Net assets released from restrictions	28,000	(28,000)	-
Total revenues and support	<u>3,623,214</u>	<u>(28,000)</u>	<u>3,595,214</u>
Expenses			
Program services	3,123,963	-	3,123,963
Management and general	244,114	-	244,114
Fundraising	154,276	-	154,276
Total expenses	<u>3,522,353</u>	<u>-</u>	<u>3,522,353</u>
Change in net assets	100,861	(28,000)	72,861
Net assets, beginning of year	<u>3,253,663</u>	<u>260,128</u>	<u>3,513,791</u>
Net assets, end of year	<u>\$ 3,354,524</u>	<u>\$ 232,128</u>	<u>\$ 3,586,652</u>

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (517,979)	\$ 72,861
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation and amortization	21,607	3,941
Change in market value of investments	(90,503)	(127,669)
Donated stock	(60,193)	-
Changes in Operating Assets and Liabilities:		
Accounts receivable	-	875
Prepaid expenses and other	(3,400)	(4,272)
Accounts payable	(9,304)	11,135
Accrued expenses	(1,956)	15
Deferred rent	(11,178)	(8,909)
Total adjustments	(154,927)	(124,884)
Net cash used for operating activities	(672,906)	(52,023)
 Cash Flows From (Used For) Investing Activities:		
Purchases of investments	(795,076)	(1,884,988)
Proceeds from sales of investments	1,796,893	1,891,508
Investment income reinvested	(66,265)	-
Purchase of property and equipment and intangible assets	(165,524)	-
Net cash from investing activities	770,028	6,520
 Net increase (decrease) in cash and cash equivalents	97,122	(45,503)
 Cash and cash equivalents, beginning of year	136,914	182,417
 Cash and cash equivalents, end of year	\$ 234,036	\$ 136,914

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 563,817	\$ 151,215	\$ 67,861	\$ 782,893
Employee benefits	79,446	19,410	8,082	106,938
Total salaries and benefits	<u>643,263</u>	<u>170,625</u>	<u>75,943</u>	<u>889,831</u>
Agency permits and licenses	5,262	-	-	5,262
Bank fees	3,090	-	1,321	4,411
Board meetings and travel	-	2,351	-	2,351
Campaign supplies	270	-	-	270
Conferences, conventions, and meetings	23,906	44	2,020	25,970
Depreciation and amortization	17,527	2,871	1,209	21,607
Insurance	5,255	3,792	524	9,571
In-service	8	-	-	8
Office supplies	4,172	939	5,638	10,749
Patient expenses	2,246,751	-	-	2,246,751
Postage and shipping	8,399	211	1,970	10,580
Printing and duplicating	19,016	223	11,522	30,761
Professional and contracted services	270,305	55,272	226,456	552,033
Rental and leases	66,423	10,828	9,848	87,099
Repairs and maintenance	22,990	2,185	4,378	29,553
Telephone and internet	33,897	5,668	3,846	43,411
Travel	11	345	650	1,006
Total functional expenses	<u>\$ 3,370,545</u>	<u>\$ 255,354</u>	<u>\$ 345,325</u>	<u>\$ 3,971,224</u>

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 538,640	\$ 138,427	\$ 57,152	\$ 734,219
Employee benefits	83,104	19,124	11,122	113,350
Total salaries and benefits	<u>621,744</u>	<u>157,551</u>	<u>68,274</u>	<u>847,569</u>
Agency permits and licenses	4,749	40	-	4,789
Bank fees	3,395	-	586	3,981
Board meetings and travel	-	2,427	-	2,427
Campaign supplies	2,064	-	-	2,064
Conferences, conventions, and meetings	32,584	318	99	33,001
Depreciation and amortization	3,109	460	372	3,941
Insurance	5,868	3,521	923	10,312
In-service	237	-	-	237
Office supplies	4,623	1,481	7,381	13,485
Patient expenses	2,136,409	-	-	2,136,409
Postage and shipping	9,213	237	1,332	10,782
Printing and duplicating	9,346	263	6,748	16,357
Professional and contracted services	148,174	58,736	51,955	258,865
Rental and leases	79,625	11,371	8,177	99,173
Repairs and maintenance	25,875	2,787	3,997	32,659
Telephone and internet	36,775	4,922	3,134	44,831
Travel	173	-	1,298	1,471
Total functional expenses	<u>\$ 3,123,963</u>	<u>\$ 244,114</u>	<u>\$ 154,276</u>	<u>\$ 3,522,353</u>

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

National Foundation for Transplants, Inc. (the “Foundation”) is a not-for-profit corporation organized under the laws of the State of Tennessee. The Foundation’s purpose is to provide healthcare support services, financial assistance in the form of grants, and fundraising and advocacy programs to and for the benefit of organ and tissue transplant candidates, recipients, and their families. The Foundation is supported primarily through contributions and is headquartered in Memphis, Tennessee.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The Foundation receives contributions primarily from individuals. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restriction.

General Operations Revenue

General operations revenue is earned by the Foundation in the form of fundraising product sales and administrative revenue in the range of 2% to 5% of the total raised per campaign.

Donated Materials and Contributed Services

Donated materials are recognized as revenues at their estimated fair value when they are contributed to the Foundation. Donated materials were \$77,639 and \$2,624 for the years ended June 30, 2019 and 2018, respectively.

Contributed services are recorded at their fair market value in the period received when they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2019 and 2018, there were no amounts that met the criteria for recognition as described above. In addition, a substantial number of volunteers have donated significant time to the Foundation. No amounts have been recognized in the accompanying financial statements for these services because the criteria for recognition of such volunteer efforts have not been satisfied.

Credit Risks

The Foundation's credit risks primarily relate to cash and cash equivalents and investments. The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000. The Foundation has not experienced any such losses and management believes the Foundation is not exposed to significant credit risk pertaining to cash.

The Foundation maintains investments in uninsured brokerage accounts which are subject to fluctuations in the securities markets.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with initial maturities of three months or less to be cash equivalents.

Investments

Purchased investments are carried at their fair market values in the statement of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Furniture and Equipment

Furniture and equipment are stated at cost, if purchased, or fair market value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Depreciation ranges from three to five years. Expenditures for normal maintenance and repairs are charged to expense. Expenditures for major renewals and betterments that materially extend the life of assets in excess of \$500 are capitalized.

Intangible Assets

Intangible assets consist of capitalized website development costs. Planning costs related to website development are expensed as incurred. The cost of developing the application, graphics, and content of the website are capitalized. Amortization is computed using the straight-line method over the website's estimated useful life, which ranges from three to five years.

Net Assets

Net assets, revenues, gains, and losses 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 restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. There were no donor-imposed restrictions of a perpetual nature at June 30, 2019. 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. When a restriction expires, 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 restrictions.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended June 30, 2019 and 2018, the Foundation expensed \$361,192 and \$139,956 for advertising costs, respectively.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting and Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements.

Date of Management's Review

The Foundation evaluated its June 30, 2019 financial statements for subsequent events through October 28, 2019, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – 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, are comprised of the following:

Cash	\$ 234,036
Investments	<u>2,679,905</u>
Total financial assets	2,913,941
Less: amounts restricted for certain purposes	<u>(208,128)</u>
Total	<u>\$ 2,705,813</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Normal operating expenses per month are, on average, approximately \$320,000.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the Foundation has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management’s assessment of the quality, risk, or liquidity profile of the asset or liability.

Investments in fixed income corporate and municipal bonds, and U.S. treasury notes are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified as Level 2.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets and liabilities measured at fair value on a recurring basis at June 30:

	June 30, 2019		
	Level 1	Level 2	Total
Mutual Funds			
Equity mutual funds	\$ 209,349	\$ -	\$ 209,349
Fixed income mutual funds	328,003	-	328,003
Index mutual funds	1,247,504	-	1,247,504
Fixed Income Securities			
Corporate bonds	-	382,232	382,232
Municipal bonds	-	335,044	335,044
U.S. treasury notes	-	177,773	177,773
	<u>\$ 1,784,856</u>	<u>\$ 895,049</u>	<u>\$ 2,679,905</u>
	June 30, 2018		
	Level 1	Level 2	Total
Mutual Funds			
Equity mutual funds	\$ 683,936	\$ -	\$ 683,936
Fixed income mutual funds	249,470	-	249,470
Index mutual funds	1,358,275	-	1,358,275
Fixed Income Securities			
Corporate bonds	-	471,724	471,724
Municipal bonds	-	309,147	309,147
U.S. treasury notes	-	392,209	392,209
	<u>\$ 2,291,681</u>	<u>\$ 1,173,080</u>	<u>\$ 3,464,761</u>

NOTE 4 – FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 120,374	\$ 127,218
Less: accumulated depreciation	(115,781)	(118,684)
	<u>\$ 4,593</u>	<u>\$ 8,534</u>

For both the years ended June 30, 2019 and 2018, depreciation expense was \$3,941.

NOTE 5 – INTANGIBLE ASSETS

The Foundation incurred website development costs as of June 30, 2019 totaling \$165,524. For the year ended June 30, 2019, amortization expense totaled \$17,666.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
State resident funding	\$ 200,324	\$ 224,324
Pharmaceuticals	4,261	4,261
Lodging	1,305	1,305
Tissue matching	2,238	2,238
	<u>\$ 208,128</u>	<u>\$ 232,128</u>

NOTE 7 – BENEFIT PLAN

The Foundation maintains a defined contribution retirement plan under section 403(b) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer a portion of their compensation, subject to the Internal Revenue Service limits. The Foundation has a matching deferral up to 3% of eligible compensation. The Foundation contributed \$18,088 and \$18,674 to the plan for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 – COMMITMENTS

The Foundation has operating lease agreements for office space and equipment. The agreement for office space requires fluctuating monthly payments and expires September 2020. The agreement for office equipment expires in March 2024.

Future minimum lease payments under the leases are as follows for the years ending June 30:

2020	\$	111,434
2021		33,314
2022		6,684
2023		6,684
2024		4,456
		<u>162,572</u>
	\$	<u>162,572</u>

Total rent expense for the operating lease amounted to \$87,099 and \$99,173 for the years ended June 30, 2019 and 2018, respectively.