



National  
Foundation  
for Transplants

**FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 18, 2021

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

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	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 333,285	\$ 212,293
Investments	1,904,093	1,987,622
Prepaid expenses and other	20,640	29,880
Furniture and equipment, net	-	651
Intangible assets, net	<u>70,215</u>	<u>110,126</u>
Total assets	<u>\$ 2,328,233</u>	<u>\$ 2,340,572</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 3,680	\$ 396
Accrued expenses	19,213	22,454
Deferred rent	-	3,815
Total liabilities	<u>22,893</u>	<u>26,665</u>
Net Assets		
Without donor restrictions	2,121,212	2,127,779
With donor restrictions	<u>184,128</u>	<u>186,128</u>
Total net assets	<u>2,305,340</u>	<u>2,313,907</u>
Total liabilities and net assets	<u>\$ 2,328,233</u>	<u>\$ 2,340,572</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, 2021

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 2,684,645	\$ -	\$ 2,684,645
General operations	65,932	-	65,932
Interest and dividends	10,848	-	10,848
Net investment return	2,437	-	2,437
Net assets released from restrictions	2,000	(2,000)	-
Total revenues and support	<u>2,765,862</u>	<u>(2,000)</u>	<u>2,763,862</u>
Expenses			
Program services	2,357,586	-	2,357,586
Management and general	217,258	-	217,258
Fundraising	139,540	-	139,540
Total operating expenses	<u>2,714,384</u>	<u>-</u>	<u>2,714,384</u>
Other Expenses			
Non-operating expense	<u>58,045</u>	<u>-</u>	<u>58,045</u>
Change in net assets	(6,567)	(2,000)	(8,567)
Net assets, beginning of year	<u>2,127,779</u>	<u>186,128</u>	<u>2,313,907</u>
Net assets, end of year	<u>\$ 2,121,212</u>	<u>\$ 184,128</u>	<u>\$ 2,305,340</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support</b>			
Contributions and grants	\$ 2,545,456	\$ -	\$ 2,545,456
General operations	62,766	-	62,766
Fundraising and special event product sales	51,583	-	51,583
Less: costs of direct benefits to donors	(17,588)	-	(17,588)
Interest and dividends	50,978	-	50,978
Net investment return	87,080	-	87,080
Net assets released from restrictions	22,000	(22,000)	-
Other revenue	91	-	91
Total revenues and support	2,802,366	(22,000)	2,780,366
<b>Expenses</b>			
Program services	3,167,321	-	3,167,321
Management and general	214,565	-	214,565
Fundraising	153,245	-	153,245
Total expenses	3,535,131	-	3,535,131
Change in net assets	(732,765)	(22,000)	(754,765)
Net assets, beginning of year	2,860,544	208,128	3,068,672
Net assets, end of year	\$ 2,127,779	\$ 186,128	\$ 2,313,907

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, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ (8,567)	\$ (754,765)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation and amortization	40,562	41,674
Change in market value of investments	(2,437)	(98,991)
Donated stock	(81,751)	(64,005)
Changes in Operating Assets and Liabilities:		
Prepaid expenses and other	9,240	25,695
Accounts payable	3,284	(1,697)
Accrued expenses	(3,241)	(11,435)
Deferred rent	(3,815)	(13,497)
Total adjustments	(38,158)	(122,256)
Net cash used for operating activities	(46,725)	(877,021)
Cash Flows From Investing Activities:		
Purchases of investments	(64,369)	(2,476,131)
Proceeds from sales of investments	232,086	3,382,387
Investment income reinvested	-	(50,978)
Net cash from investing activities	167,717	855,278
Net increase (decrease) in cash and cash equivalents	120,992	(21,743)
Cash and cash equivalents, beginning of year	212,293	234,036
Cash and cash equivalents, end of year	\$ 333,285	\$ 212,293

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, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 384,773	\$ 136,619	\$ 90,208	\$ 611,600
Employee benefits	76,716	16,697	11,762	105,175
Total salaries and benefits	461,489	153,316	101,970	716,775
Agency permits and licenses	14,706	-	-	14,706
Bank fees	3,192	372	505	4,069
Board meetings and travel	-	1,225	-	1,225
Conferences, conventions, and meetings	7,802	-	-	7,802
Depreciation and amortization	30,867	5,777	3,918	40,562
Insurance	5,455	2,824	583	8,862
Office supplies	2,210	707	193	3,110
Patient expenses	1,557,940	-	-	1,557,940
Postage and shipping	3,812	601	532	4,945
Printing and duplicating	3,596	355	24	3,975
Professional and contracted services	166,603	36,106	17,419	220,128
Rental and leases	49,112	8,443	6,625	64,180
Repairs and maintenance	18,050	1,978	3,165	23,193
Telephone and internet	32,752	5,554	4,606	42,912
Total functional expenses	<u>\$ 2,357,586</u>	<u>\$ 217,258</u>	<u>\$ 139,540</u>	<u>\$ 2,714,384</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, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 577,579	\$ 143,734	\$ 87,388	\$ 808,701
Employee benefits	86,265	23,388	12,055	121,708
Total salaries and benefits	663,844	167,122	99,443	930,409
Agency permits and licenses	6,615	-	-	6,615
Bank fees	2,524	235	785	3,544
Board meetings and travel	-	1,517	-	1,517
Campaign supplies	457	-	-	457
Conferences, conventions, and meetings	21,360	1,455	-	22,815
Depreciation and amortization	32,331	4,956	4,387	41,674
Insurance	5,524	2,933	559	9,016
Office supplies	3,200	897	772	4,869
Patient expenses	2,090,302	-	-	2,090,302
Postage and shipping	7,425	322	450	8,197
Printing and duplicating	4,543	126	1,378	6,047
Professional and contracted services	189,277	15,013	25,894	230,184
Rental and leases	74,524	12,599	9,145	96,268
Repairs and maintenance	34,113	2,018	5,420	41,551
Telephone and internet	31,275	5,234	3,850	40,359
Travel	7	138	1,162	1,307
Total functional expenses	<u>\$ 3,167,321</u>	<u>\$ 214,565</u>	<u>\$ 153,245</u>	<u>\$ 3,535,131</u>

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

# NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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### 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 are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

#### 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 \$109,880 and \$114,572 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 and 2020, the Foundation expensed \$128,139 and \$150,557 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 September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07 – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendment will be effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial statements.

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The new standard is effective for annual periods beginning after December 15, 2021. The Foundation is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

### Date of Management's Review

The Foundation evaluated its June 30, 2021 financial statements for subsequent events through October 18, 2021, the date the financial statements were available to be issued. Other than the event described in Note 11, the Foundation is not aware of any other 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 as of June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 333,285	\$ 212,293
Investments	<u>1,904,093</u>	<u>1,987,622</u>
Total financial assets	2,237,378	2,199,915
Less: amounts restricted for certain purposes	<u>(184,128)</u>	<u>(186,128)</u>
Total	<u>\$ 2,053,250</u>	<u>\$ 2,013,787</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, on average, are between approximately \$230,000 to \$280,000.

## 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.

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, 2021		
	Level 1	Level 2	Total
Mutual Funds			
Fixed income mutual funds	\$ 1,904,093	\$ -	\$ 1,904,093
	<u>\$ 1,904,093</u>	<u>\$ -</u>	<u>\$ 1,904,093</u>
	June 30, 2020		
	Level 1	Level 2	Total
Mutual Funds			
Fixed income mutual funds	\$ 1,987,622	\$ -	\$ 1,987,622
	<u>\$ 1,987,622</u>	<u>\$ -</u>	<u>\$ 1,987,622</u>

#### NOTE 4 – FURNITURE AND EQUIPMENT

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

	2021	2020
Furniture and equipment	\$ 120,364	\$ 120,364
Less: accumulated depreciation	(120,364)	(119,713)
	<u>\$ -</u>	<u>\$ 651</u>

For the years ended June 30, 2021 and 2020, depreciation expense was \$651, and \$3,942, respectively.

#### NOTE 5 – INTANGIBLE ASSETS

Intangible assets consist of website costs as of June 30:

	2021	2020
Website	\$ 165,534	\$ 165,534
Less: amortization	(95,319)	(55,408)
	<u>\$ 70,215</u>	<u>\$ 110,126</u>

For the years ended June 30, 2021 and 2020, amortization expense totaled \$39,911 and \$37,732, respectively.

## NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
State resident funding	\$ 176,324	\$ 178,324
Pharmaceuticals	4,261	4,261
Lodging	1,305	1,305
Tissue matching	2,238	2,238
	<u>\$ 184,128</u>	<u>\$ 186,128</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 \$12,629 and \$15,482 to the plan for the years ended June 30, 2021 and 2020, respectively.

## NOTE 8 – COMMITMENTS

The Foundation has operating lease agreements for office space and equipment. As of June 30, 2021, the agreement for office space expires September 2022. 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:

2022	\$ 66,684
2023	21,684
2024	<u>4,456</u>
	<u>\$ 92,824</u>

Total rent expense for the operating lease amounted to \$64,180 and \$96,268 for the years ended June 30, 2021 and 2020, respectively.

## NOTE 9 – PAYCHECK PROTECTION PROGRAM LOANS

On February 9, 2021, the Foundation received notification from the Small Business Administration that the Paycheck Protection Program (PPP) loan received during the 2020 fiscal year had been forgiven for the entire amount of \$153,500. This amount had been recognized as grant revenue for the year ended June 30, 2020.

On March 12, 2021, the Foundation obtained another PPP loan in the amount of \$110,860. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan is eligible for forgiveness of up to 100%, upon meeting certain requirements. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Foundation incurred eligible expenses in the full amount of the loan and recorded grant revenue of \$110,860 for the year ended June 30, 2021. While the Foundation believes that its use of the loan proceeds meets the conditions for forgiveness of the loan, notice of forgiveness has not yet been received and it cannot be assured that the Foundation will be eligible for forgiveness of the loan, in whole or in part.

#### **NOTE 10 – CONTINGENCIES**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The outbreak could have a continued material adverse impact on economic and market conditions. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Entity, its performance, and its financial results.

#### **NOTE 11 - SUBSEQUENT EVENTS**

In July 2021, the Foundation entered into an agreement to sell the rights to the Foundation’s twitter handle for \$500,000.