



National
Foundation
for Transplants

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Foundation for Transplants (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Transplants as of June 30, 2022 and 2021 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. 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 National Foundation for Transplants 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 National Foundation for Transplants' 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 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 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 National Foundation for Transplants' 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 National Foundation for Transplants' 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.

Watkins Mikusall, PLLC

Memphis, Tennessee
October 7, 2022

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 111,355	\$ 333,285
Due from others	29,590	-
Investments	1,777,300	1,904,093
Prepaid expenses and other	13,341	20,640
Intangible assets, net	<u>38,398</u>	<u>70,215</u>
Total assets	<u>\$ 1,969,984</u>	<u>\$ 2,328,233</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities		
Accounts payable	\$ 100	\$ 3,680
Accrued expenses	<u>24,195</u>	<u>19,213</u>
Total liabilities	24,295	22,893
Net Assets		
Without donor restrictions	1,763,561	2,121,212
With donor restrictions	<u>182,128</u>	<u>184,128</u>
Total net assets	<u>1,945,689</u>	<u>2,305,340</u>
Total liabilities and net assets	<u>\$ 1,969,984</u>	<u>\$ 2,328,233</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 2,036,184	\$ -	\$ 2,036,184
General operations	42,773	-	42,773
Interest and dividends	14,268	-	14,268
Net investment loss	(39,880)	-	(39,880)
Miscellaneous revenue	7,042	-	7,042
Sale of intangible asset	500,000	-	500,000
Net assets released from restrictions	2,000	(2,000)	-
Total revenues and support	<u>2,562,387</u>	<u>(2,000)</u>	<u>2,560,387</u>
Expenses			
Program services	2,545,420	-	2,545,420
Management and general	243,674	-	243,674
Fundraising	130,944	-	130,944
Total operating expenses	<u>2,920,038</u>	<u>-</u>	<u>2,920,038</u>
Change in net assets	(357,651)	(2,000)	(359,651)
Net assets, beginning of year	<u>2,121,212</u>	<u>184,128</u>	<u>2,305,340</u>
Net assets, end of year	<u>\$ 1,763,561</u>	<u>\$ 182,128</u>	<u>\$ 1,945,689</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

	<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 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 FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 421,385	\$ 103,522	\$ 77,866	\$ 602,773
Employee benefits	65,744	13,840	12,066	91,650
Total salaries and benefits	<u>487,129</u>	<u>117,362</u>	<u>89,932</u>	<u>694,423</u>
Agency permits and licenses	19,165	-	-	19,165
Bank fees	1,528	2,178	897	4,603
Board meetings and travel	-	1,139	-	1,139
Campaign supplies	5,133	-	-	5,133
Conferences, conventions, and meetings	5,956	952	-	6,908
Depreciation and amortization	24,328	3,956	3,533	31,817
Insurance	4,695	2,764	539	7,998
Office supplies	1,991	191	92	2,274
Patient expenses	1,747,372	-	-	1,747,372
Postage and shipping	3,174	181	160	3,515
Printing and duplicating	5,631	728	-	6,359
Professional and contracted services	150,422	99,021	22,992	272,435
Rental and leases	45,828	7,698	6,654	60,180
Repairs and maintenance	8,352	1,370	1,213	10,935
Telephone and internet	34,716	6,028	4,932	45,676
Travel	-	106	-	106
Total functional expenses	<u>\$ 2,545,420</u>	<u>\$ 243,674</u>	<u>\$ 130,944</u>	<u>\$ 2,920,038</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, 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	<u>461,489</u>	<u>153,316</u>	<u>101,970</u>	<u>716,775</u>
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.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (359,651)	\$ (8,567)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation and amortization	31,817	40,562
Change in market value of investments	39,880	(2,437)
Donated stock	(310,820)	(81,751)
Changes in Operating Assets and Liabilities:		
Accounts receivable	(29,590)	-
Prepaid expenses and other	7,299	9,240
Accounts payable	(3,580)	3,284
Accrued expenses	4,982	(3,241)
Deferred rent	-	(3,815)
Total adjustments	(260,012)	(38,158)
Net cash used for operating activities	(619,663)	(46,725)
Cash Flows From Investing Activities:		
Purchases of investments	-	(64,369)
Proceeds from sales of investments	397,733	232,086
Net cash from investing activities	397,733	167,717
Net increase (decrease) in cash and cash equivalents	(221,930)	120,992
Cash and cash equivalents, beginning of year	333,285	212,293
Cash and cash equivalents, end of year	\$ 111,355	\$ 333,285

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

NATIONAL FOUNDATION FOR TRANSPLANTS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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. There were no donated materials for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, contributed services for online advertising were \$109,130 and \$109,880, respectively. 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.

Due from Others

Due from others represents amounts from donors collected through an online payment processor that have not been remitted to the Foundation as of year-end.

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, 2022. 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, 2022 and 2021, the Foundation expensed \$146,928 and \$128,139 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

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, 2022 financial statements for subsequent events through October 7, 2022, the date the financial statements were available to be issued. 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>2022</u>	<u>2021</u>
Cash	\$ 111,355	\$ 333,285
Investments	1,777,300	1,904,093
Pledges receivable	29,590	-
Total financial assets	<u>1,918,245</u>	<u>2,237,378</u>
Less: amounts restricted for certain purposes	(182,128)	(184,128)
Total	<u>\$ 1,736,117</u>	<u>\$ 2,053,250</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 \$250,000.

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, 2022		
	Level 1	Level 2	Total
Mutual Funds			
Fixed income mutual funds	\$ 1,777,300	\$ -	\$ 1,777,300
	<u>\$ 1,777,300</u>	<u>\$ -</u>	<u>\$ 1,777,300</u>
	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>

NOTE 4 – FURNITURE AND EQUIPMENT

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

	2022	2021
Furniture and equipment	\$ 120,364	\$ 120,364
Less: accumulated depreciation	(120,364)	(120,364)
	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – INTANGIBLE ASSETS

Intangible assets consist of website costs as of June 30:

	2022	2021
Website	\$ 165,524	\$ 165,534
Less: amortization	(127,126)	(95,319)
	<u>\$ 38,398</u>	<u>\$ 70,215</u>

For the years ended June 30, 2022 and 2021, amortization expense totaled \$31,807 and \$39,911, respectively.

Future amortization expense is as follows for the years ending June 30:

2023	\$ 24,575
2024	12,764
2025	1,059
	<u>\$ 38,398</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
State resident funding	\$ 174,324	\$ 176,324
Pharmaceuticals	4,261	4,261
Lodging	1,305	1,305
Tissue matching	2,238	2,238
	<u>\$ 182,128</u>	<u>\$ 184,128</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 \$11,767 and \$12,629 to the plan for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 – COMMITMENTS

The Foundation has operating lease agreements for office space and equipment. As of June 30, 2022, the agreement for office space expires September 2022 and will continue on a month-to-month basis. 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:

2023	\$ 21,684
2024	4,456
	<u>\$ 26,140</u>

Total rent expense for the operating lease amounted to \$60,180 and \$64,180 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOANS

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. The loan was forgiven in full on October 22, 2021.

NOTE 10 – TWITTER HANDLE SALE

In July 2021, the Foundation entered into an Asset Purchase Agreement (APA) to sell the rights, title, and interest in the Foundation's Twitter handle for \$500,000. In connection with the APA, the Foundation is party to an Agreement and Declaration of Bare Trust whereby the Foundation serves as Trustee and holds the property sold under the APA for and on behalf of the Beneficial Owner who is the purchaser under the APA. The Bare Trust Agreement shall terminate the earlier of (i) the irrevocable distribution of the property to the Beneficial Owner or its designee, (ii) the dissolution of the Trustee, or (iii) the (10th) anniversary hereof.