

American Association of Kidney Patients, Inc.

Financial Statements

June 30, 2018 and 2017



**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Association of Kidney Patients, Inc.
Tampa, FL

We have audited the accompanying financial statements of American Association of Kidney Patients, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 of 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.

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association of Kidney Patients, Inc. as of June 30, 2018, 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.

Emphasis of Matter

As discussed in **Note E** to the financial statements, during the current year management discovered an overstatement of revenue and an understatement of deferred revenue as of June 30, 2017. Accordingly, amounts reported for membership dues and deferred revenue have been restated in the 2017 financial statements now presented, and an adjustment has been made to the 2017 net assets. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2017 were audited by other auditors, whose report dated June 6, 2018, expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

The Organization's 2017 financial statements were audited by other auditors, and an unmodified audit opinion was expressed on those audited financial statements in their report dated June 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDR CPAs + Advisors

Oldsmar, Florida
October 11, 2018

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	ASSETS	2018	2017
Current Assets			
Cash and cash equivalents		\$ 421,992	\$ 160,932
Accounts receivable		-	2,660
Inventories		21,293	20,987
Prepaid expenses		4,895	18,285
Total current assets		448,180	202,864
Furniture and equipment, net		13,015	16,993
Other assets		3,000	3,000
Total Assets		\$ 464,195	\$ 222,857
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts payable		\$ 82,924	\$ 34,248
Accrued expenses		8,324	569
Deferred revenue		360,396	159,036
Current installments under capital lease obligation		4,455	3,165
Current portion of deferred lease incentive		8,371	11,162
Total current liabilities		464,470	208,180
Deferred lease incentive, less current portion		-	8,371
Capital lease obligation, less current installments		9,936	14,391
Total Liabilities		474,406	230,942
Net Assets (deficit):			
Unrestricted		(161,724)	(146,861)
Temporarily restricted		151,513	138,776
Total net assets		(10,211)	(8,085)
Total Liabilities and Net Assets		\$ 464,195	\$ 222,857

See accompanying notes to financial statements

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Support and Revenue				
Public support				
Contributions	\$ 48,697	\$ -	\$ 48,697	\$ 119,782
Special events, net of \$15,764 of expenses in 2018	49,111	-	49,111	26,074
Bequests and memorials	21,984	-	21,984	16,024
In-kind support	20,948	-	20,948	7,250
Total public support	140,740	-	140,740	169,130
Revenue				
Grants and contracts	405,405	36,875	442,280	269,776
Annual meeting fees	216,217	-	216,217	164,227
Membership dues	78,252	-	78,252	16,875
Advertising and sponsorship revenue	49,020	-	49,020	55,320
Team USA World Transplant fees	-	-	-	278,017
Inventory sales	20,898	-	20,898	30,949
Other revenue	3,677	-	3,677	5,401
Net assets released from restrictions	24,138	(24,138)	-	-
Total revenue	797,607	12,737	810,344	820,565
Total public support and revenue	938,347	12,737	951,084	989,695
Expenses				
Program services	765,134	-	765,134	978,195
Supporting services				
Management and general	148,812	-	148,812	106,968
Fundraising	39,264	-	39,264	24,545
Total expenses	953,210	-	953,210	1,109,708
Change in Net Assets	(14,863)	12,737	(2,126)	(120,013)
Net Assets at Beginning of Year	(146,861)	138,776	(8,085)	111,928
Net Assets at End of Year	\$ (161,724)	\$ 151,513	\$ (10,211)	\$ (8,085)

See accompanying notes to financial statements

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Public support			
Contributions	\$ 119,782	\$ -	\$ 119,782
Special events, net of \$29,272 of expenses	26,074	-	26,074
Bequests and memorials	16,024	-	16,024
In-kind support	7,250	-	7,250
Total public support	169,130	-	169,130
Revenue			
Grants and contracts	269,776	-	269,776
Annual meeting fees	164,227	-	164,227
Membership dues	16,875	-	16,875
Advertising and sponsorship revenue	55,320	-	55,320
Team USA World Transplant fees	278,017	-	278,017
Inventory sales	30,949	-	30,949
Other revenue	5,401	-	5,401
Net assets released from restrictions	7,349	(7,349)	-
Total revenue	827,914	(7,349)	820,565
Total public support and revenue	997,044	(7,349)	989,695
Expenses			
Program services	978,195	-	978,195
Supporting services			
Management and general	106,968	-	106,968
Fundraising	24,545	-	24,545
Total expenses	1,109,708	-	1,109,708
Increase (decrease) in net assets	(112,664)	(7,349)	(120,013)
Net Assets at Beginning of Year	(34,197)	146,125	111,928
Net Assets at End of Year	<u>\$ (146,861)</u>	<u>\$ 138,776</u>	<u>\$ (8,085)</u>

See accompanying notes to financial statements

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services	Supporting Services			Total Expenses	
		Management and General	Fundraising	Total Supporting Services	2018	2017
Salaries	\$ 207,592	\$ 52,223	\$ 19,688	\$ 71,911	\$ 279,503	\$ 243,644
Payroll taxes	15,501	4,111	1,483	5,594	21,095	19,169
Employee benefits	28,313	7,123	2,685	9,808	38,121	19,979
Total personnel expenses	251,406	63,457	23,856	87,313	338,719	282,792
Annual meeting and program expenses	304,891	-	-	-	304,891	495,182
Professional fees	39,158	34,309	2,750	37,059	76,217	56,130
Printing and publication	45,509	1,884	1,003	2,887	48,396	126,895
Travel and meetings	40,770	544	-	544	41,314	28,314
Equipment rental and maintenance	21,445	10,319	3,052	13,371	34,816	24,087
Occupancy	25,191	6,337	2,389	8,726	33,917	32,703
In-kind	9,865	11,083	-	11,083	20,948	7,250
Postage and shipping	15,198	2,320	818	3,138	18,336	20,204
Other	2,562	9,920	83	10,003	12,565	12,088
Fees, dues, and subscriptions	500	1,549	4,518	6,067	6,567	7,071
Telephone	4,463	1,123	423	1,546	6,009	6,611
Insurance	755	2,282	-	2,282	3,037	2,412
Supplies	466	1,398	92	1,490	1,956	4,604
Interest	-	1,544	-	1,544	1,544	737
Total expenses before depreciation	762,179	148,069	38,984	187,053	949,232	1,107,080
Depreciation	2,955	743	280	1,023	3,978	2,628
Total expenses	\$ 765,134	\$ 148,812	\$ 39,264	\$ 188,076	\$ 953,210	\$ 1,109,708

See accompanying notes to financial statements

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,126)	\$ (120,013)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,978	2,628
(Increase) decrease in operating assets:		
Accounts receivable	2,660	11,900
Inventories	(306)	952
Prepaid expenses and other assets	13,390	(12,097)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	56,431	416
Deferred revenue	201,360	20,266
Deferred lease incentive	(11,162)	8,371
	264,225	(87,577)
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Principal payments on capital lease obligation	(3,165)	(1,490)
Net Increase (Decrease) in Cash and Cash Equivalents	261,060	(89,067)
Cash and Cash Equivalents at Beginning of Year	160,932	249,999
Cash and Cash Equivalents at End of Year	\$ 421,992	\$ 160,932
Supplemental disclosure of cash flow information:		
Equipment financed under a capital lease	\$ -	\$ 19,046

See accompanying notes to financial statements

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE A - NATURE OF ORGANIZATION

American Association of Kidney Patients, Inc. (the Organization) was organized in June 1973 to promote the needs and interests of kidney patients and their families. The Organization serves as support for members with special needs, seeks to enable members to live full lives, and engages in activities to make the public aware of the needs and interests of its members. The Organization's national office is located in Tampa, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Accounting Standards

The Financial Accounting Standards Board (FASB) has issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP), authoritative and nonauthoritative, and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

Basis of Presentation

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

The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.
- Temporarily Restricted Net Assets - Resources accumulated through donations or grants for a specific operating or capital purpose or having restrictions related to timing. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.
- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions. The Organization has no permanently restricted net assets at June 30, 2018 and 2017, respectively.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include the determination of the useful lives of the property and equipment and the allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions, short-term certificates of deposit, and money market mutual fund accounts. The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended June 30, 2018 and 2017, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

Accounts Receivable

Accounts receivable, when present, consist of grants and funding contracts due in less than one year. Management believes receivables under grants and funding contracts are fully collectible and has not provided an allowance for doubtful accounts.

Inventories

Inventories consist of publications and literature related to kidney disease and its treatment. Inventory is stated at the lower of cost or market. Cost is determined principally on the first-in, first-out method.

Furniture and Equipment

Furniture and equipment are stated at cost, if purchased, or at estimated fair value at the date of receipt, if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets ranging from 3 - 5 years. Major renewals and betterments are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. It is the Organization's policy to capitalize all items which have a unit cost greater than \$1,000.

Deferred Revenue

Deferred revenue represents funds received by the Organization, but not earned for financial reporting purposes. Such amounts are recognized as revenue during the period service is performed.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the contributions are received.

All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted contributions are reclassified and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs which benefit more than one program are allocated among the programs and supporting services benefitted based on management's estimate of the time spent within each category.

Income Tax Status

The Organization is recognized by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal taxes on related income.

Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Summarized Comparative Financial For 2017

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE C - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 40,980	\$ 40,980
Less accumulated depreciation	<u>(27,965)</u>	<u>(23,987)</u>
	<u>\$ 13,015</u>	<u>\$ 16,993</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$3,978 and \$2,628, respectively.

NOTE D - LEASES

Effective December 2016, the Organization financed the acquisition of certain office equipment under a capital lease agreement which expires in March 2022. The Organization also leases its office space and certain equipment under non-cancelable operating leases which expire at various dates through May 2019. Rental expense on all operating leases was approximately \$44,000 in fiscal year 2018 and \$41,000 in fiscal year 2017.

At June 30, 2018 and 2017, the gross amount of office equipment recorded under capital lease was \$19,046. The related accumulated amortization recorded under the capital lease at June 30, 2018 and 2017 was \$3,809 and \$2,222, respectively. Amortization of assets held under the capital lease is included in depreciation expense.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE D - LEASES - CONTINUED

Future minimum lease payments under noncancelable operating leases (with initial or remaining terms in excess of one year) and the present value of future minimum capital lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>	<u>Operating Leases</u>	<u>Total</u>
2019	\$ 4,455	\$ 35,537	\$ 39,992
2020	4,455	-	4,455
2021	4,455	-	4,455
2022	3,340	-	3,340
	<hr/>	<hr/>	<hr/>
Total minimum lease payments	16,705	<u>35,537</u>	<u>52,242</u>
Less amount representing interest	<u>2,314</u>		
Present value of capital lease payments	14,391		
Less current installments under capital lease obligation	<u>4,455</u>		
Capital lease obligation, less current installments	<u>\$ 9,936</u>		

NOTE E – RESTATEMENT OF 2017

During the current year, it was discovered by management an overstatement of revenue and an understatement of deferred revenue as of June 30, 2017. Accordingly, amounts reported for membership dues and deferred revenue have been restated in the 2017 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2017. Net assets at June 30, 2017 was decreased by \$27,500 as a result of this restatement. The following sets forth the previously reported and restated amounts of membership dues and deferred revenue as of June 30, 2017:

	<u>As Previously Reported</u>	<u>Restated</u>
Membership dues	\$ 44,375	\$ 16,875
Change in net assets	\$ (92,513)	\$ (120,013)
Deferred revenue	\$ 131,536	\$ 159,036
Net assets	\$ 19,415	\$ (8,085)

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets related to the following:

	<u>2018</u>	<u>2017</u>
Patient Safety Lectureship Program	\$ 133,076	\$ 138,776
AAKP Delicious Program	18,438	-
	<u>\$ 151,514</u>	<u>\$ 138,776</u>

Net assets released from restrictions were comprised of the following:

	<u>2018</u>	<u>2017</u>
Purpose restriction:		
Patient Safety Lectureship Program	\$ 5,700	\$ 7,349
AAKP Delicious Program	18,438	-
	<u>\$ 24,138</u>	<u>\$ 7,349</u>

NOTE G - IN-KIND SUPPORT

The value of in-kind contributions for the years ended June 30, 2018 and 2017 were \$20,948 and \$7,250, respectively, and consisted primarily of donated professional services.

NOTE H - RETIREMENT PLAN

The Organization sponsors a 401(k) retirement savings plan (the Plan) which covers all employees who meet the Plan's participation requirements. During the years ended June 30, 2018 and 2017, the Organization did not make any contributions to the plan. Plan administrative expenses were approximately \$1,900 for each of the years ended June 30, 2018 and 2017.

NOTE I - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through October 11, 2018, the date the financial statements were available and issued. The Organization is not aware of any subsequent events which would require recognition or disclosures in the financial statements.