

UNITED NETWORK FOR ORGAN SHARING

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

***As of and for the Year Ended September 30, 2019
(With Summarized Comparative Totals 2018)***

And Report of Independent Auditor

UNITED NETWORK FOR ORGAN SHARING

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-16
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
COMPLIANCE REPORTS	
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	21-22
Schedule of Findings and Questioned Costs and Corrective Actions Plans	23
Schedule of Prior Year Findings	24

Report of Independent Auditor

To the Board of Directors of
United Network for Organ Sharing
Richmond, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of United Network for Organ Sharing (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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 United Network for Organ Sharing as of September 30, 2019, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2018, financial statements and our report dated February 5, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

As discussed in Note 1 to the financial statements, the Organization's primary source of revenue is one contract with a department of the United States. Non-renewal of the contract would materially affect the activities and financial position of the Organization.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Richmond, Virginia
February 13, 2020

UNITED NETWORK FOR ORGAN SHARING
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,734,960	\$ 16,698,295
Restricted cash	27,898,579	21,317,079
Investments	14,236,772	12,415,462
Restricted investments	13,530,617	11,909,186
Accounts receivable	11,473,354	12,148,862
Prepaid expenses	2,438,141	2,085,807
Total Current Assets	<u>87,312,423</u>	<u>76,574,691</u>
Property and Equipment, net	21,254,875	21,989,137
Other Assets	655,111	655,284
Total Assets	<u><u>\$ 109,222,409</u></u>	<u><u>\$ 99,219,112</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of bonds payable	\$ 585,000	\$ 565,000
Current portion of notes payable	-	220,553
Accounts payable and accrued expenses	4,206,190	4,514,579
Health insurance liability	763,219	904,845
Due to National Organ Procurement Transplantation Network	<u>41,730,308</u>	<u>36,541,991</u>
Total Current Liabilities	<u>47,284,717</u>	<u>42,746,968</u>
Long-Term Liabilities:		
Bonds Payable, less current portion	4,690,000	5,275,000
Notes Payable, less current portion	-	328,125
Total Long-Term Liabilities	<u>4,690,000</u>	<u>5,603,125</u>
Total Liabilities	<u>51,974,717</u>	<u>48,350,093</u>
Net Assets:		
Without donor restrictions	57,082,524	50,449,199
With donor restrictions	165,168	419,820
Total Net Assets	<u>57,247,692</u>	<u>50,869,019</u>
Total Liabilities and Net Assets	<u><u>\$ 109,222,409</u></u>	<u><u>\$ 99,219,112</u></u>

UNITED NETWORK FOR ORGAN SHARING

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	OPTN	Network and Member Services	Management and General	Fundraising	2019 Total	Comparative 2018 Total
Change in Net Assets Without Donor Restrictions:						
Revenue and Other Support:						
OPTN registration fees	\$ 44,628,290	\$ -	\$ -	\$ -	\$ 44,628,290	\$ 40,379,288
Government contracts - OPTN	5,511,508	-	-	-	5,511,508	5,532,353
UNOS registration fee	-	9,657,618	-	-	9,657,618	8,414,851
Contributions	-	-	-	298,847	298,847	380,982
Scientific and data analysis services	-	1,833,344	-	-	1,833,344	2,202,529
Regional and transplant forums	-	510,101	-	79,400	589,501	612,841
Miscellaneous	-	1,151,449	-	88,029	1,239,478	1,262,418
Satisfaction of program restrictions	-	328,303	-	-	328,303	213,358
Total Revenues Without Donor Restrictions	<u>\$ 50,139,798</u>	<u>\$ 13,480,815</u>	<u>\$ -</u>	<u>\$ 466,276</u>	<u>64,086,889</u>	<u>58,998,620</u>
Expenses:						
Salaries	\$ 23,356,996	\$ 2,900,118	\$ 2,187,733	\$ 127,365	28,572,212	27,203,978
Employee benefits and payroll taxes	10,414,600	799,051	602,772	37,919	11,854,342	11,102,007
Temporary help	778,847	82,754	4,032	-	865,633	1,558,013
Meetings and travel	2,119,605	664,812	143,739	7,020	2,935,176	2,688,064
Professional education programs and projects	-	369,086	-	-	369,086	394,183
Other purchased services	3,069,474	826,879	803,756	32,987	4,733,096	4,816,190
Telephone, telecommunications, and utilities	448,510	-	359,469	-	807,979	714,696
Equipment leases	-	-	213,906	-	213,906	202,009
Subscriptions and software	1,485,359	-	-	-	1,485,359	876,300
Repairs and maintenance	1,077,485	30,100	338,742	-	1,446,327	1,655,728
Depreciation and amortization	1,038,805	173,999	718,912	-	1,931,716	2,627,723
Indirect costs	6,315,405	-	(6,315,405)	-	-	-
Other	150,307	809,751	1,836,421	84,946	2,881,425	2,318,420
Total Expenses	<u>\$ 50,255,393</u>	<u>\$ 6,656,550</u>	<u>\$ 894,077</u>	<u>\$ 290,237</u>	<u>58,096,257</u>	<u>56,157,311</u>
Revenues over Expenses					5,990,632	2,841,309
Realized and unrealized gain on investments, net					571,310	517,817
Unrealized gain on insurance					55,928	8,629
Gain on disposal of property and equipment					15,455	2,890
Change in Net Assets Without Donor Restrictions					<u>6,633,325</u>	<u>3,370,645</u>
Change in Net Assets With Donor Restrictions:						
Contributions					73,651	201,605
Net assets released from restrictions					(328,303)	(213,358)
Change in Net Assets With Donor Restrictions					<u>(254,652)</u>	<u>(11,753)</u>
Change in Net Assets					6,378,673	3,358,892
Net Assets, beginning of the year					<u>50,869,019</u>	<u>47,510,127</u>
Net Assets, end of the year					<u>\$ 57,247,692</u>	<u>\$ 50,869,019</u>

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

UNITED NETWORK FOR ORGAN SHARING
STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,378,673	\$ 3,358,892
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,931,716	2,627,723
Bad debt expense	12,097	16,666
Gain on disposal of property and equipment	(15,455)	(2,890)
Gain on insurance values	(55,928)	(8,629)
Realized and unrealized gain on investments, net	(571,310)	(517,817)
Change in operating assets and liabilities:		
Accounts receivable	663,411	(1,509,689)
Prepaid expenses	(352,334)	(145,322)
Other assets	56,101	17,349
Accounts payable and accrued expenses	(308,389)	1,187,855
Health insurance liability	(141,626)	904,845
Due to National Organ Procurement Transplantation Network	4,566,886	8,142,084
Net cash provided by operating activities	<u>12,163,842</u>	<u>14,071,067</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,197,454)	(1,590,415)
Proceeds from the sale of property and equipment	15,455	-
Purchases of investments	<u>(2,250,000)</u>	<u>(15,100,000)</u>
Net cash used in investing activities	<u>(3,431,999)</u>	<u>(16,690,415)</u>
Cash flows from financing activities:		
Repayments of bonds and notes payables	<u>(1,113,678)</u>	<u>(1,052,267)</u>
Net cash used in financing activities	<u>(1,113,678)</u>	<u>(1,052,267)</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	7,618,165	(3,671,615)
Cash, cash equivalents, and restricted cash, beginning of year	<u>38,015,374</u>	<u>41,686,989</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 45,633,539</u>	<u>\$ 38,015,374</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 199,321</u>	<u>\$ 205,797</u>
Cash paid during the year for income taxes	<u>\$ 66,000</u>	<u>\$ 69,000</u>
Supplemental disclosures of noncash investing activities:		
Appreciation on restricted investments due to OPTN	<u>\$ 621,431</u>	<u>\$ 9,142</u>
Supplemental disclosures - cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 17,734,960	\$ 16,698,295
Restricted cash	<u>27,898,579</u>	<u>21,317,079</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 45,633,539</u>	<u>\$ 38,015,374</u>

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

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 1—Organization and nature of operations

United Network for Organ Sharing (“UNOS” or the “Organization”), a Virginia non-stock, not-for-profit corporation, operates the National Organ Procurement and Transplantation Network (“OPTN”) established by the National Organ Transplantation Act passed by the U.S. Congress in 1984. Through a contract with the Health Resources and Services Administration (“HRSA”) of the Department of Health and Human Services (“DHHS”) (the “OPTN Contract”), the Organization functions as the sole national network whose mission is to improve the effectiveness of the U.S. organ procurement and transplantation system and to provide for the fair and equitable distribution of all donated organs. To carry out this mission, the Organization maintains a computerized database to identify potential transplant recipients and to provide for the systematic matching of donated organs with such recipients. The Organization is staffed 24 hours a day, 7 days a week, with specialists trained in assisting transplant centers and in administering Board of Directors-approved organ allocation policies. All organ procurement organizations (“OPOs”) and transplant facilities in the United States are required to be members of OPTN. The Organization’s Board of Directors is currently made up of 42 voting members elected from the Organization’s membership and the general public.

On September 12, 2013, the Organization was awarded an OPTN Contract from HRSA for the period September 30, 2013 through September 29, 2014, with additional one-year options to extend the OPTN Contract to September 29, 2015, 2016, 2017, and 2018, and a six-month option to extend the OPTN Contract from October 1, 2018 through March 31, 2019. On November 3, 2018, the Organization was awarded the latest OPTN Contract from HRSA for the period April 1, 2019 through September 29, 2019, with additional one-year options to extend the OPTN Contract to September 29, 2020, 2021, 2022, and 2023. During the year, HRSA opted to extend the OPTN Contract through September 29, 2020. The OPTN Contract is the primary source of revenue for the Organization. If the Organization is not awarded the new OPTN Contract, its future operations would be materially adversely affected.

Note 2—Summary of significant accounting policies

Basis of Accounting – 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 (“U.S. GAAP”).

Basis of Presentation – The financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements as of and for the year ended September 30, 2018, from which the summarized information was derived.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Costs that are billed under the provisions of the OPTN Contract are reflected as costs of the program. Network and member services include items such as educational initiatives to increase organ donation and other non-contract expenses.

Certain categories of expenses are attributable to more than one program or supporting service function and are allocated on a reasonable basis that is consistently applied. These remaining costs are allocated based on estimates of time and effort.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Revenue Recognition – Member organizations consist of OPOs, tissue typing laboratories, and organ transplant centers throughout the United States. The Organization bills OPTN members an OPTN registration fee and UNOS registration fee for listing members' patients on the Organization's computerized database. These OPTN registration fees are recognized as a receivable for OPTN and a payable due to the OPTN. The Organization recognizes revenue as it submits cost reimbursement vouchers to DHHS. The UNOS registration fees are recognized as revenue in the month a member lists a patient in the Organization's database.

The Organization earns revenue from services performed under scientific and data analysis contracts with nongovernmental entities. The Organization recognizes the revenue as it is earned under the contract, which generally occurs over a specified period of time that services are provided or as deliverables are provided to the respective clients.

Revenue with donor restrictions represents funds received through a gift or grant that are restricted by the donor to be expended for a specific purpose and are recognized as revenue when received. The satisfaction of the restrictions are reported as increases to net assets without donor restrictions and decreases to net assets with donor restrictions under net assets released from restrictions. If the expiration of restrictions occurs in the same fiscal year as the contribution is received, the contributions are shown as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Net Assets – The Organization's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions that may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

With Donor Restrictions – Net assets whose use by the Organization is subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature and can be fulfilled by actions of the Organization pursuant to those stipulations or expire by the passage of time. Other donor-imposed restrictions are perpetual in nature and should be maintained in perpetuity by the Organization. At September 30, 2019, no amounts were required to be held in perpetuity.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, cash in banks, and highly liquid cash management funds with an original maturity of three months or less.

Restricted Cash and Investments – Restricted cash and investments represent those funds that have been collected from OPTN members on behalf of the OPTN, for which cost reimbursement vouchers have not been submitted to the DHHS, or contributions received subject to donor-imposed stipulations.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 2—Summary of significant accounting policies (continued)

Concentrations of Credit Risk – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides insurance coverage up to \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2019 and 2018, the Organization had \$1,892,538 and \$1,669,148, respectively, in deposits that exceeded these insured amounts.

Historically, the Organization has not experienced significant losses related to accounts receivable and, therefore, believes that the credit risk related to accounts receivable is minimal. The Organization derived approximately 78% of its revenue without donor restrictions from government contracts for the years ended September 30, 2019 and 2018.

Investments – The Organization accounts for investments in accordance with Financial Accounting Standards Board (“FASB”) guidance on accounting for investments held by not-for-profit organizations. The guidance requires certain investments to be reflected at fair value in the statement of financial position. The fair value of investments is determined by an independent market valuation service using quoted closing prices at the end of the period. Interest income and dividends are recorded on the accrual basis. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported in the financial statements.

Property and Equipment – Property and equipment are carried at historical cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets’ estimated useful lives of 39 years for the building, 3 to 15 years for furniture and non-computer equipment, and 3 to 5 years for computer equipment. Expenditures of less than \$5,000 for property and equipment are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in changes in net assets.

The carrying value of property and equipment is evaluated when certain events or changes in circumstances indicate that the carrying amount may exceed fair value. Fair value is calculated by estimating cash flows produced by the assets over their remaining useful lives. If undiscounted projected cash flows are less than the carrying amount, an impairment would be recognized. No impairments were identified during 2019.

Income Taxes – The Organization has been granted an exemption from federal income taxes under Internal Revenue Code Section 501(c)(3) except for income generated from unrelated business activities. Unrelated business activities include rental income on debt financed property and travel agency services. Income tax expense (benefit) on income from these activities was \$103,275 and (\$45,227) for the years ended September 30, 2019 and 2018, respectively, and is included in other expenses in the statement of activities.

Due to OPTN – Due to OPTN represents total OPTN registrations billed to OPTN members, less OPTN registration funding claimed by the Organization on the OPTN vouchers submitted to DHHS.

Compensated Absences – The Organization accrues a provision for vacation and holiday pay due to employees, which is reflected in accounts payable and accrued expenses on the statement of financial position.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 2—Summary of significant accounting policies (continued)

Donated Services – The Organization recognizes donated services as contributions in accordance with guidance issued by the FASB. Under this guidance, such services are recorded if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Gifts-in-Kind – Gifts-in-kind revenue is recognized in accordance with FASB Accounting Standards Codification (“ASC”) 958-605. In circumstances in which the Organization distributes gifts-in-kind as part of its programs, it reports an expense which is reported in the functional classification for the program in which the gifts-in-kind were used. The Organization received gifts-in-kind contributions of goods used for special events which totaled \$73,500 and \$82,500 for the years ended September 30, 2019 and 2018, respectively, and is included in contributions and other expenses in the statement of activities.

Health Insurance – In January 2018, the Organization switched from a fully-insured health insurance plan for employees to a self-funded plan. There is no limit per claim on the Organization’s self-insured health insurance. The specific stop loss limit as of September 30, 2019 and 2018 is \$150,000. The estimated liability as of September 30, 2019 and 2018 is \$763,219 and \$904,845, respectively, and is reported as health insurance liability in the accompanying statement of financial position.

Reclassification – Certain prior year balances have been reclassified to conform to the current year presentation.

Adopted Accounting Pronouncement – In August 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 Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Upcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Organization has not yet selected a transition method and is currently evaluating the effect the standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments should be applied on a modified prospective basis. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered into after the effective date. Retrospective application is permitted. This ASU is effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Organization is currently evaluating the effect the standard will have on the financial statements.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 2—Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update govern a number of areas including, but not limited to, accounting for leases, replacing the existing guidance in ASC 840, *Leases*. Under this standard, a lessee's rights and obligations under most leases, including existing and new arrangements, would be recognized as assets and liabilities, respectively, on the balance sheet. Other significant provisions of this standard include (i) defining the "lease term" to include the non-cancelable period together with periods for which there is a significant economic incentive for the lessee to extend or not terminate the lease; (ii) defining the initial lease liability to be recorded on the balance sheet to contemplate only those variable lease payments that depend on an index or that are in substance "fixed," (iii) a dual approach for determining whether lease expense is recognized on a straight-line or accelerated basis, depending on whether the lessee is expected to consume more than an insignificant portion of the leased asset's economic benefits, and (iv) a requirement to bifurcate certain lease and non-lease components. In November 2019, the FASB approved a proposal to delay the effective date of ASU 2016-02 one year for all non-SEC filers, including not-for-profit entities, making it effective for annual reporting periods beginning after December 15, 2020. The Organization is currently evaluating the effect the standard will have on the financial statements.

Note 3—Liquidity and availability of resources

The following represents financial assets at September 30, 2019:

Financial assets at year-end:

Cash and cash equivalents	\$ 17,734,960
Restricted cash	27,898,579
Investments	14,236,772
Restricted investments	13,530,617
Accounts receivable	11,473,354
	<u>84,874,282</u>

Less amounts not available to be used for general expenditures within one year:

Restricted by donors for specific purposes	(165,168)
Internally designated for debt service	(877,984)
Reimbursements for previously incurred OPTN Contract expenses	(1,108,774)
	<u>\$ 82,722,356</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures relating to its mission related activities and supporting services to be general expenditures. Additionally, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by the OPTN Contract.

As discussed in Note 2, certain financial assets are restricted for use by the OPTN Contract. This results when collection of OPTN registration fees exceeds the reimbursable costs incurred at a given point in time by the Organization. The Organization has determined that the use of the restricted cash and investments amounts will be for mission related activities within one year and, accordingly, these amounts are included in financial assets available to meet general expenditures within one year.

UNITED NETWORK FOR ORGAN SHARING
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 3—Liquidity and availability of resources (continued)

In addition to financial assets available to meet general expenditures within one year, the Organization, through its budgeting process, anticipates collecting sufficient registration fees to cover general expenditures that are not covered by reimbursements from the OPTN contract.

Note 4—Investments

Investments at fair market value as of September 30 consist of the following:

	2019	2018
Money markets	\$ 440,733	\$ 459,429
Equity securities	6,669,424	7,138,069
Mutual funds	20,657,232	16,727,150
Total Investments	<u>\$ 27,767,389</u>	<u>\$ 24,324,648</u>
	2019	2018
Investments	\$ 14,236,772	\$ 12,415,462
Restricted investments	13,530,617	11,909,186
	<u>\$ 27,767,389</u>	<u>\$ 24,324,648</u>

All investments are short-term as of September 30, 2019 and 2018.

Interest income earned on bank account balances for the years ended September 30, 2019 and 2018 was \$39,261 and \$4,529, respectively.

Note 5—Accounts receivable

Accounts receivable as shown in the accompanying statement of financial position as of September 30 consist of the following:

	2019	2018
OPTN registration fees	\$ 8,332,398	\$ 9,022,028
UNOS membership fees	1,666,226	1,570,397
Government contracts	1,108,774	1,259,081
Other	365,956	297,356
	<u>\$ 11,473,354</u>	<u>\$ 12,148,862</u>

Accounts receivable consist of OPTN registration fees, UNOS registration fees, government contracts, and other receivables and are carried at original amounts. Other receivables primarily consist of amounts due to the Organization from non-affiliate entities that are associated with the Organization as a result of various transactions that were entered into prior to year-end but have not yet been received as of September 30, 2019. No allowance for uncollectible amounts was considered necessary as of September 30, 2019 and 2018, as OPTN and UNOS members are required by federal regulation to pay the respective registration fee. Bad debt expense totaled \$12,097 and \$16,666 for the years ended September 30, 2019 and 2018, respectively, and is included in other expenses in the statement of activities.

UNITED NETWORK FOR ORGAN SHARING
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 6—Property and equipment

Cost and accumulated depreciation as of September 30 are summarized as follows:

	2019	2018
Land	\$ 1,113,000	\$ 1,113,000
Building	24,696,234	24,083,237
Donor memorial	1,714,512	1,714,512
Computer hardware	14,137,648	15,844,047
Furniture and other equipment	3,214,489	3,060,574
Leasehold improvements	-	21,065
Other fixed assets	588,931	588,930
	<u>45,464,814</u>	<u>46,425,365</u>
Less accumulated depreciation	<u>(24,209,939)</u>	<u>(24,436,228)</u>
Property and equipment, net	<u>\$ 21,254,875</u>	<u>\$ 21,989,137</u>

Depreciation expense related to property and equipment for the years ended September 30, 2019 and 2018 was \$1,931,716 and \$2,627,723, respectively. Gain on disposal of property and equipment totaled \$15,455 and \$2,890 for the same years then ended, respectively.

Note 7—Accounts payable and other accrued expenses

As of September 30, accounts payable and other accrued expenses consist of the following:

	2019	2018
Trade	\$ 1,305,089	\$ 1,682,331
Accrued operating expenses	379,100	465,802
Accrued benefit contributions	238,528	211,118
Accrued compensation absences	2,283,473	2,155,328
	<u>\$ 4,206,190</u>	<u>\$ 4,514,579</u>

Note 8—Long-term liabilities

In December 2010, the Organization paid off the 2002 bonds payable originally issued in the amount of \$12,000,000, which were used to finance the construction of the corporate headquarters, and obtained \$9,720,000 from the issuance of the 2010 bonds payable. Interest is payable on the 2010 bonds payable on the first day of each month. Interest rates were initially determined on the 2010 bonds payable based on a weekly rate as determined by the bank serving as agent for the bond issuance. The Organization has the option to convert the rate to a term rate, as defined, for two or more semiannual periods, which is determined by the bank such that there is no premium or discount on conversion. The Organization also has the option to convert the rate to a fixed rate to maturity, which is determined by the bank, provided that there is no discount or premium on conversion. At no time may the interest rate exceed 12%. The applicable interest rate as of September 30, 2019 and 2018 was 3.19% and 3.21%, respectively.

UNITED NETWORK FOR ORGAN SHARING
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 8—Long-term liabilities (continued)

In September 2011, the Organization entered into a \$3,000,000 promissory note to purchase the building known as the “Jackson Center” near its headquarters in Richmond, Virginia. This purchase was intended to provide the Organization additional office space. Principal payments on the note are due at the beginning of each month through September 2031. Interest is payable on the Jackson Center loan on the first day of each month at a rate of 5.35%. The Jackson Center loan is collateralized by the equity in the headquarters building at 700 North 4th Street, Richmond, Virginia. In December 2018, the Organization repaid the Jackson Center note payable in its entirety.

The Organization incurred approximately \$201,000 and \$206,000 of interest expense for the years ended September 30, 2019 and 2018, respectively. Interest expense is included with other expenses on the statement of activities. The bonds payable contain restrictive covenants, including the requirement to maintain a minimum debt service coverage ratio and a minimum level of unrestricted liquidity. As of September 30, 2019, the Organization was in compliance with those covenants. Management is reserving cash to meet the required principal and interest payment in accordance with the payment deadlines.

Long-term liabilities as of September 30 consist of the following amounts:

	<u>2019</u>	<u>2018</u>
2010 bonds	\$ 5,275,000	\$ 5,840,000
Jackson Center loan	-	548,658
	<u>5,275,000</u>	<u>6,388,658</u>
Less current maturities	<u>(585,000)</u>	<u>(785,533)</u>
Long-term liabilities, less current portion	<u>\$ 4,690,000</u>	<u>\$ 5,603,125</u>

Future maturities on bonds payable at September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 585,000
2021	605,000
2022	625,000
2023	645,000
2024	670,000
Thereafter	<u>2,145,000</u>
	<u>\$ 5,275,000</u>

Note 9—Fair value measurements

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under U.S. GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 9—Fair value measurements (continued)

The Organization's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

Level 1 – Inputs that are based upon quoted prices for identical instruments traded in active markets.

Level 2 – Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The Organization has no Level 3 investments.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Equity Securities and Mutual Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no transfers between levels or changes in methodologies during the years ended September 30, 2019 and 2018.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2019:

	Fair Value Using			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity securities	\$ 6,669,424	\$ -	\$ -	\$ 6,669,424
Mutual funds	20,657,232	-	-	20,657,232
Total investments at fair value	27,326,656	-	-	27,326,656
Money market, carried at cost	-	-	-	440,733
Total Investments	\$ 27,326,656	\$ -	\$ -	\$ 27,767,389

UNITED NETWORK FOR ORGAN SHARING
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 9—Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of September 30, 2018:

	Fair Value Using			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity securities	\$ 7,138,069	\$ -	\$ -	\$ 7,138,069
Mutual funds	16,727,150	-	-	16,727,150
Total investments at fair value	23,865,219	-	-	23,865,219
Money market, carried at cost	-	-	-	459,429
Total Investments	<u>\$ 23,865,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,324,648</u>

Note 10—Employee benefit plans

Retirement benefits for all full-time employees are provided through a qualified defined contribution pension plan. Under the terms of the plan, all employees of the Organization who have completed 1,000 hours of continuous employment earn a year of vesting for plan purposes. All employees are eligible for participation coincident with employment. The Organization contributed an amount equal to 4% of each participant’s compensation and matched participant deferrals dollar for dollar up to 6% of employee compensation for the years ended September 30, 2019 and 2018. Employees become fully vested after six years of vesting service, as defined in the plan. Forfeitures serve to reduce the total contribution required of the Organization. Contributions made by the Organization for the years ended September 30, 2019 and 2018 amounted to \$2,734,683 and \$2,400,385, respectively. Contributions are included with employee benefit and payroll taxes on the statement of activities.

Note 11—Operating leases

On June 22, 2015, the Organization entered into a lease agreement with Virginia Commonwealth University (“VCU”), which stipulates that VCU is to lease a portion of the Jackson Center from the Organization for a period of ten years and six months, commencing on February 16, 2016. Rental revenue totaled \$553,684 and \$550,444 for the years ended September 30, 2019 and 2018, respectively, and is included with miscellaneous revenue on the statement of activities. Rental revenue is recognized on a straight-line basis over the term of the lease agreement which resulted in rent receivable totaling \$336,195 and \$330,056 as of September 30, 2019 and 2018, respectively, which is included with other assets on the statement of financial position.

UNITED NETWORK FOR ORGAN SHARING
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

Note 11—Operating leases (continued)

Future amounts of rental payments due from VCU at September 30, 2019 are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 554,700
2021	568,568
2022	582,782
2023	597,352
2024	612,286
Thereafter	<u>1,002,295</u>
	<u>\$ 3,917,983</u>

The Organization leases certain office equipment under noncancelable operating leases through November 2019. Equipment lease expense was \$213,906 and \$202,010 for the years ended September 30, 2019 and 2018, respectively. Future minimum lease payments under the remaining portion of noncancelable operating leases are as follows:

<u>Year Ending September 30,</u>	
2020	<u>\$ 25,723</u>

Note 12—Contingencies

DHHS and the General Accounting Office (“GAO”) are entitled to review the accounting and other records of the Organization. DHHS is primarily responsible for determining the acceptability of estimated or incurred costs as allowable contract costs under the OPTN Contract. GAO is responsible for determining that procurement actions are made in conformity with applicable laws and regulations. Management is of the opinion that the Organization is in compliance with applicable provisions of the OPTN Contract.

The Organization, in the ordinary course of its business to provide for the fair and equitable distribution of donated organs, is sometimes named as a defendant in litigation involving claims related to its operation of the OPTN. While it is the Organization’s policy to handle all claims promptly, efficiently, fairly, and in accordance with the provisions of the OPTN Contract and applicable laws, the Organization may be subjected to a plaintiff’s allegations seeking damages. On the basis of information provided by in-house and external counsel and others, the Organization believes there are no contingencies that will materially affect the financial statements.

The Organization maintains medical, professional, and general liability coverage under various insurance policies.

Note 13—Subsequent events

Management has evaluated subsequent events through February 13, 2020, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

In November 2019, the Organization executed a new noncancelable operating lease through 2024 with minimum lease payments of \$73,716 expected annually.

SUPPLEMENTAL INFORMATION

UNITED NETWORK FOR ORGAN SHARING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor</u>	<u>Identifying Number (CFDA Number Not Available)</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Department of Health and Human Services</u> <u>Direct Payments</u>	Organ Procurement and Transplantation Network (93.231-00-0115)	N/A	<u>\$ 5,511,508</u>
Health Resources and Services Administration			<u>\$ 5,511,508</u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

UNITED NETWORK FOR ORGAN SHARING

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the United Network for Organ Sharing (the "Organization") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2—Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable.

Indirect Cost Rate – The Organization has elected not to use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance.

Note 3—Subrecipients

There were no amounts of federal expenditures presented in the schedule that were provided to subrecipients.

COMPLIANCE REPORTS

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
United Network for Organ Sharing
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of United Network for Organ Sharing (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry BeKant LLP

Richmond, Virginia
February 13, 2020

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
United Network for Organ Sharing
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited United Network for Organ Sharing's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
February 13, 2020

UNITED NETWORK FOR ORGAN SHARING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND CORRECTIVE ACTIONS PLANS

YEAR ENDED SEPTEMBER 30, 2019

Section I – Summary of Auditor’s Results

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes ___X___ none reported
- Significant deficiencies identified? _____ yes ___X___ none reported
- Noncompliance material to financial statements noted? _____ yes ___X___ none reported

Federal Award

Internal control over major federal programs:

- Material weaknesses identified? _____ yes ___X___ none reported
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes ___X___ none reported
- Noncompliance material to financial statements noted? _____ yes ___X___ none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance? _____ yes ___X___ none reported

Identification of major programs:

<u>Federal Project/CFDA Number</u>	<u>Program Name</u>
Department of Health and Human Services / 93.231-00-0115	Organ Procurement and Transplantation Network

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ___X___ yes _____ no

Section II – Findings Relating to the Financial Statements which are Required to Be Reported in Accordance with Government Auditing Standards

None reported

Section III – Findings and Questioned Costs Relating to Federal Awards

None reported

UNITED NETWORK FOR ORGAN SHARING
SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2019

There were no items reported for the year ended September 30, 2018.