

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Financial Statements

June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

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Independent Auditor's Report

The Board of Directors
American Association of Kidney Patients, Inc.:

We have audited the accompanying financial statements of American Association of Kidney Patients, Inc., (the "Organization") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2016 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association of Kidney Patients, Inc. as of June 30, 2016 and 2015, the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited American Association of Kidney Patients, Inc.'s 2015 financial statements, and our report dated November 11, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

September 29, 2016
Tampa, Florida

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 249,999	117,399
Accounts receivable	14,560	15,759
Inventories	21,939	31,598
Prepaid expenses	6,188	6,328
	<hr/>	<hr/>
Total current assets	292,686	171,084
Furniture and equipment, net (Note 2)	575	981
Other assets	3,000	4,384
	<hr/>	<hr/>
	\$ 296,261	176,449
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 44,782	6,556
Accrued expenses	781	1,857
Deferred revenue	138,770	52,445
	<hr/>	<hr/>
Total current liabilities	184,333	60,858
Accrued rent expense	<hr/>	13,730
	-	<hr/>
Total liabilities	184,333	74,588
Net assets (deficit):		
Unrestricted	(34,197)	(64,964)
Temporarily restricted (Note 4)	146,125	166,825
	<hr/>	<hr/>
Total net assets	111,928	101,861
Commitments and contingencies (Notes 3 and 5)	<hr/>	<hr/>
	\$ 296,261	176,449
	<hr/> <hr/>	<hr/> <hr/>

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Statement of Activities

**Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Operating support and revenue:				
Public support:				
Special events, net of \$42,696 of expenses in 2016	\$ 28,028	-	28,028	52,543
Contributions	139,820	-	139,820	105,549
Bequests and memorials	12,764	-	12,764	80,865
In-kind support (Note 6)	6,119	-	6,119	13,767
Net assets released from restrictions	20,700	(20,700)	-	-
	<u>207,431</u>	<u>(20,700)</u>	<u>186,731</u>	<u>252,724</u>
Revenue:				
Grants and contracts	327,003	-	327,003	249,980
Annual meeting fees	188,234	-	188,234	111,897
Inventory sales	31,443	-	31,443	26,489
Advertising and sponsorship revenue	52,631	-	52,631	24,990
Membership dues	8,580	-	8,580	8,205
Other revenue	4,799	-	4,799	2,674
	<u>612,690</u>	<u>-</u>	<u>612,690</u>	<u>424,235</u>
Total operating support and revenue	820,121	(20,700)	799,421	676,959
Operating expenses:				
Program services	598,192	-	598,192	541,303
Supporting services:				
Management and general	163,520	-	163,520	166,939
Fundraising	27,642	-	27,642	42,908
Total operating expenses	<u>789,354</u>	<u>-</u>	<u>789,354</u>	<u>751,150</u>
Increase (decrease) in net assets	30,767	(20,700)	10,067	(74,191)
Net assets (deficit) at beginning of year	<u>(64,964)</u>	<u>166,825</u>	<u>101,861</u>	<u>176,052</u>
Net assets (deficit) at end of year	\$ <u>(34,197)</u>	<u>146,125</u>	<u>111,928</u>	<u>101,861</u>

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating support and revenue:			
Public support:			
Special events, net of \$30,602 of expenses	\$ 52,543	-	52,543
Contributions	85,549	20,000	105,549
Bequests and memorials	80,865	-	80,865
In-kind support (Note 6)	13,767	-	13,767
Net assets released from restrictions	3,175	(3,175)	-
	<u>235,899</u>	<u>16,825</u>	<u>252,724</u>
Revenue:			
Grants and contracts	249,980	-	249,980
Annual meeting fees	111,897	-	111,897
Inventory sales	26,489	-	26,489
Advertising and sponsorship revenue	24,990	-	24,990
Membership dues	8,205	-	8,205
Other revenue	2,674	-	2,674
	<u>424,235</u>	<u>-</u>	<u>424,235</u>
Total operating support and revenue	660,134	16,825	676,959
Operating expenses:			
Program services	541,303	-	541,303
Supporting services:			
Management and general	166,939	-	166,939
Fundraising	42,908	-	42,908
Total operating expenses	<u>751,150</u>	<u>-</u>	<u>751,150</u>
Increase (decrease) in net assets	(91,016)	16,825	(74,191)
Net assets at beginning of year	<u>26,052</u>	<u>150,000</u>	<u>176,052</u>
Net assets (deficit) at end of year	<u>\$ (64,964)</u>	<u>166,825</u>	<u>101,861</u>

See accompanying independent auditor's report and notes to financial statements.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Statement of Functional Expenses

**Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>	
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 179,619	50,453	15,802	66,255	245,874	246,571
Payroll taxes	12,996	5,930	1,165	7,095	20,091	20,709
Employee benefits	15,128	4,249	1,331	5,580	20,708	18,596
Total personnel expenses	207,743	60,632	18,298	78,930	286,673	285,876
Annual meeting and program expenses	225,009	-	-	-	225,009	163,561
Professional fees	18,051	32,446	-	32,446	50,497	68,651
Printing and publication	43,949	136	-	136	44,085	69,996
Postage and shipping	10,169	7,677	-	7,677	17,846	18,123
Supplies	53	1,802	182	1,984	2,037	874
Equipment rental and maintenance	562	20,367	-	20,367	20,929	20,326
Occupancy	49,413	13,880	4,347	18,227	67,640	56,826
Telephone	207	7,241	-	7,241	7,448	6,858
Insurance	-	2,698	-	2,698	2,698	2,825
Travel and meetings	38,229	3,083	88	3,171	41,400	19,745
Fees, dues and subscriptions	1,250	246	4,413	4,659	5,909	6,785
In-kind (Note 6)	3,543	2,576	-	2,576	6,119	13,767
Other	14	10,330	314	10,644	10,658	12,526
Total expenses before depreciation and amortization	598,192	163,114	27,642	190,756	788,948	746,739
Depreciation and amortization	-	406	-	406	406	4,411
Total expenses	\$ 598,192	163,520	27,642	191,162	789,354	751,150

See accompanying independent auditor's report and notes to financial statements.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 10,067	(74,191)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	406	4,411
Decrease (increase) in accounts receivable	1,199	(15,759)
Decrease in inventories	9,659	23,505
Decrease in prepaid expenses and other assets	1,524	7,418
Increase (decrease) in accounts payable and accrued expenses	23,420	(17,743)
Increase (decrease) in deferred revenue	<u>86,325</u>	<u>(224,977)</u>
Net cash provided by (used in) operating activities	132,600	(297,336)
Cash flows from investing activities:		
Equipment purchases	<u>-</u>	<u>(1,218)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,218)</u>
Net increase (decrease) in cash and cash equivalents	132,600	(298,554)
Cash and cash equivalents at beginning of year	<u>117,399</u>	<u>415,953</u>
Cash and cash equivalents at end of year	<u>\$ 249,999</u>	<u>117,399</u>

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(1) **Description of Organization and Summary of Significant Accounting Policies**

(a) **Description 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.

(b) **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*.

(c) **Financial Statement Presentation**

The Organization’s financial statements are presented in accordance with the guidance issued by the FASB as codified in ASC Topic 958-210. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

The statement of functional expenses includes 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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(d) **Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(e) **Estimates in the Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Notes to Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(f) Accounts Receivable

Receivables under grants and funding contracts are 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.

(g) Inventories

Inventories consist of publications and literature related to kidney disease and its treatment. Inventory is recorded at the lower of cost or market using the first- in first- out method.

(h) Furniture and Equipment

Furniture and equipment in excess of \$1,000 are stated at cost if purchased or at estimated fair value at the date of receipt if acquired by gift. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided using the straight-line method based on estimated useful lives of the assets. Useful lives range from 3 to 5 years.

(i) 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 the related service is performed.

(j) Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(k) 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.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Notes to Financial Statements - Continued

(1) **Description of Organization and Summary of Significant Accounting Policies - Continued**

(l) **Income Taxes**

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Organization has adopted FASB guidance regarding *Uncertainty in Income Taxes* as codified in ASC Topic 740-10. At June 30, 2016, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Organization's income tax filings for periods after fiscal 2012 remain subject to examination.

(m) **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.

(2) **Furniture and Equipment**

Furniture and equipment at June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 21,934	24,721
Less accumulated depreciation	<u>(21,359)</u>	<u>(23,740)</u>
	<u>\$ 575</u>	<u>981</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$406 and \$4,411, respectively.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Notes to Financial Statements - Continued

(3) **Leases**

The Organization leases its office space and certain equipment under non-cancelable operating leases. Rental expense on all operating leases was approximately \$66,000 in fiscal 2016 and \$67,000 in fiscal 2015.

Future minimum payments under noncancelable operating lease agreements with initial or remaining terms in excess of one year as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 39,000
2018	39,800
2019	<u>35,500</u>
	<u>\$ 114,300</u>

(4) **Net Assets**

Temporarily restricted net assets as of June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Patient Safety Lectureship Program	\$ 146,125	146,825
KidneyWorks Stakeholder Conference	<u>-</u>	<u>20,000</u>
	<u>\$ 146,125</u>	<u>166,825</u>

(5) **Contingencies**

The Organization routinely enters into grant agreements and contracts with governmental agencies and other organizations to provide for reimbursement of eligible direct and indirect costs of providing certain program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

(6) **In-Kind Support**

The value of in-kind contributions for the years ended June 30, 2016 and 2015 were \$6,119 and \$13,767, respectively, and consisted primarily of donated professional services.

AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.

Notes to Financial Statements - Continued

(7) Credit Concentrations

The Organization maintains deposit accounts with what management believes to be high credit quality financial institutions. Total deposit balances exceeded federal insurance limits by approximately \$21,000 at June 30, 2016. The Organization's deposit balances were fully covered by federal deposit insurance at June 30, 2015.

(8) 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, 2016 and 2015, the Organization did not make any contributions to the plan. Plan administrative expenses were approximately \$1,900 and \$2,900 for the years ended June 30, 2016 and 2015, respectively.

(9) Subsequent Events

The Organization has evaluated subsequent events through September 29, 2016, the date the financial statements were available for issuance.