

# **American Association of Kidney Patients, Inc.**

Financial Statements

June 30, 2020 and 2019



**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 statements of financial position as of June 30, 2020 and 2019, 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, 2020, 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PDR CPAs + Advisors*

Oldsmar, Florida  
October 29, 2020

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

| <b><u>ASSETS</u></b>                                 |                    |                    |
|--|--------------------|--------------------|
|  | <b><u>2020</u></b> | <b><u>2019</u></b> |
| <b>Current Assets</b>                                |                    |                    |
| Cash and cash equivalents                            | \$ 470,559         | \$ 305,890         |
| Restricted cash                                      | 208,096            | 434,391            |
| Accounts receivable                                  | 13,700             | 4,050              |
| Inventories  | 32,922             | 25,125             |
| Prepaid expenses                                     | 6,873              | 6,873              |
| <b>Total current assets</b>                          | <b>732,150</b>     | <b>776,329</b>     |
| Furniture and equipment, net                         | 13,115             | 21,555             |
| Other assets   | 3,125              | 3,125              |
| <b>Total Assets</b>                                  | <b>\$ 748,390</b>  | <b>\$ 801,009</b>  |
| <b><u>LIABILITIES AND NET ASSETS</u></b>             |                    |                    |
| <b>Current Liabilities</b>                           |                    |                    |
| Accounts payable                                     | \$ 23,020          | \$ 34,217          |
| Accrued expenses                                     | 7,169              | 16,409             |
| Deferred revenue                                     | 386,987            | 504,222            |
| Current installments under capital lease obligations | 8,787              | 8,041              |
| <b>Total current liabilities</b>                     | <b>425,963</b>     | <b>562,889</b>     |
| Note payable   | 68,900             | -                  |
| Capital lease obligations, less current installments | 6,676              | 15,463             |
| <b>Total Liabilities</b>                             | <b>501,539</b>     | <b>578,352</b>     |
| <b>Net Assets</b>                                    |                    |                    |
| Without donor restrictions                           | 99,509             | 56,886             |
| With donor restrictions                              | 147,342            | 165,771            |
| <b>Total net assets</b>                              | <b>246,851</b>     | <b>222,657</b>     |
| <b>Total Liabilities and Net Assets</b>              | <b>\$ 748,390</b>  | <b>\$ 801,009</b>  |

See accompanying notes to financial statements

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

|   | Without Donor    | With Donor        | Total             |                   |
|---|------------------|-------------------|-------------------|-------------------|
|   | Restrictions     | Restrictions      | 2020              | 2019              |
| <b>Operating Support and Revenue</b>              |                  |                   |                   |                   |
| <b>Public support</b>                             |                  |                   |                   |                   |
| Contributions                                     | \$ 74,365        | \$ -              | \$ 74,365         | \$ 58,843         |
| Special events, net of \$12,406 of expenses       | 49,578           | -                 | 49,578            | 24,320            |
| Bequests and memorials                            | 32,631           | -                 | 32,631            | 15,406            |
| In-kind support                                   | 5,760            | -                 | 5,760             | 16,908            |
| Total public support                              | <u>162,334</u>   | <u>-</u>          | <u>162,334</u>    | <u>115,477</u>    |
| <b>Revenue</b>                                    |                  |                   |                   |                   |
| Grants and contracts                              | 595,283          | -                 | 595,283           | 1,031,858         |
| Annual meeting fees                               | 281,167          | -                 | 281,167           | -                 |
| Membership dues                                   | 245,895          | -                 | 245,895           | 232,897           |
| Advertising and sponsorship revenue               | 41,350           | -                 | 41,350            | 87,008            |
| Inventory sales                                   | 30,763           | -                 | 30,763            | 17,520            |
| Other revenue                                     | 355              | -                 | 355               | 1,471             |
| Net assets released from restrictions             | 18,429           | (18,429)          | -                 | -                 |
| Total revenue                                     | <u>1,213,242</u> | <u>(18,429)</u>   | <u>1,194,813</u>  | <u>1,370,754</u>  |
| <b>Total operating public support and revenue</b> | 1,375,576        | (18,429)          | 1,357,147         | 1,486,231         |
| <b>Operating Expenses</b>                         |                  |                   |                   |                   |
| Program services                                  | 1,080,420        | -                 | 1,080,420         | 1,036,868         |
| Supporting services                               |                  |                   |                   |                   |
| Management and general                            | 201,301          | -                 | 201,301           | 184,952           |
| Fundraising                                       | 51,232           | -                 | 51,232            | 31,543            |
| <b>Total operating expenses</b>                   | <u>1,332,953</u> | <u>-</u>          | <u>1,332,953</u>  | <u>1,253,363</u>  |
| <b>Change in Net Assets</b>                       | 42,623           | (18,429)          | 24,194            | 232,868           |
| <b>Net Assets (Deficit) at Beginning of Year</b>  | <u>56,886</u>    | <u>165,771</u>    | <u>222,657</u>    | <u>(10,211)</u>   |
| <b>Net Assets at End of Year</b>                  | <u>\$ 99,509</u> | <u>\$ 147,342</u> | <u>\$ 246,851</u> | <u>\$ 222,657</u> |

See accompanying notes to financial statements

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|---|---------------------------------------|------------------------------------|-------------------|
| <b>Operating Support and Revenue</b>              |                                       |                                    |                   |
| <b>Public support</b>                             |                                       |                                    |                   |
| Contributions                                     | \$ 58,843                             | \$ -                               | \$ 58,843         |
| Special events, net of \$24,930 of expenses       | 24,320                                | -                                  | 24,320            |
| Bequests and memorials                            | 15,406                                | -                                  | 15,406            |
| In-kind support                                   | 16,908                                | -                                  | 16,908            |
| Total public support                              | <u>115,477</u>                        | <u>-</u>                           | <u>115,477</u>    |
| <b>Revenue</b>                                    |                                       |                                    |                   |
| Grants and contracts                              | 996,858                               | 35,000                             | 1,031,858         |
| Membership dues                                   | 232,897                               | -                                  | 232,897           |
| Advertising and sponsorship revenue               | 87,008                                | -                                  | 87,008            |
| Inventory sales                                   | 17,520                                | -                                  | 17,520            |
| Other revenue                                     | 1,471                                 | -                                  | 1,471             |
| Net assets released from restrictions             | 20,742                                | (20,742)                           | -                 |
| Total revenue                                     | <u>1,356,496</u>                      | <u>14,258</u>                      | <u>1,370,754</u>  |
| <b>Total operating public support and revenue</b> | 1,471,973                             | 14,258                             | 1,486,231         |
| <b>Operating Expenses</b>                         |                                       |                                    |                   |
| Program services                                  | 1,036,868                             | -                                  | 1,036,868         |
| Supporting services                               |                                       |                                    |                   |
| Management and general                            | 184,952                               | -                                  | 184,952           |
| Fundraising                                       | 31,543                                | -                                  | 31,543            |
| <b>Total operating expenses</b>                   | <u>1,253,363</u>                      | <u>-</u>                           | <u>1,253,363</u>  |
| <b>Change in Net Assets</b>                       | 218,610                               | 14,258                             | 232,868           |
| <b>Net Assets (Deficit) at Beginning of Year</b>  | <u>(161,724)</u>                      | <u>151,513</u>                     | <u>(10,211)</u>   |
| <b>Net Assets at End of Year</b>                  | <u>\$ 56,886</u>                      | <u>\$ 165,771</u>                  | <u>\$ 222,657</u> |

See accompanying notes to financial statements

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

|                                     | Program<br>Services | Supporting Services          |                  |                                 | Total Expenses      |                     |
|-------------------------------------|---------------------|------------------------------|------------------|---------------------------------|---------------------|---------------------|
|                                     |                     | Management<br>and<br>General | Fundraising      | Total<br>Supporting<br>Services | 2020                | 2019                |
| Salaries                            | \$ 268,941          | \$ 84,598                    | \$ 18,145        | \$ 102,743                      | \$ 371,684          | \$ 337,908          |
| Payroll taxes                       | 19,917              | 8,277                        | 1,325            | 9,602                           | 29,519              | 24,668              |
| Employee benefits                   | 30,633              | 9,636                        | 2,067            | 11,703                          | 42,336              | 38,963              |
| Total salaries and related expenses | 319,491             | 102,511                      | 21,537           | 124,048                         | 443,539             | 401,539             |
| Annual meeting and program expenses | 466,356             | -                            | 191              | 191                             | 466,547             | 526,899             |
| Professional fees                   | 75,301              | 42,511                       | -                | 42,511                          | 117,812             | 61,517              |
| Printing and publication            | 66,463              | 845                          | 2,730            | 3,575                           | 70,038              | 50,722              |
| Advertising and marketing           | 48,920              | 250                          | 100              | 350                             | 49,270              | 32,300              |
| Occupancy                           | 27,197              | 8,555                        | 1,835            | 10,390                          | 37,587              | 35,320              |
| Postage and shipping                | 17,320              | 13,631                       | 10               | 13,641                          | 30,961              | 25,923              |
| Equipment rental and maintenance    | 21,491              | 6,760                        | 1,450            | 8,210                           | 29,701              | 22,133              |
| Travel and meetings                 | 21,367              | 3,669                        | 380              | 4,049                           | 25,416              | 43,794              |
| Fees, dues, and subscriptions       | 1,399               | 61                           | 16,254           | 16,315                          | 17,714              | 7,974               |
| Other                               | -                   | 8,084                        | 6,069            | 14,153                          | 14,153              | 6,702               |
| Supplies                            | 4,040               | 4,962                        | 70               | 5,032                           | 9,072               | 6,822               |
| In-kind                             | 2,939               | 2,764                        | 57               | 2,821                           | 5,760               | 16,908              |
| Telephone                           | 2,029               | 638                          | 137              | 775                             | 2,804               | 5,658               |
| Insurance                           | -                   | 2,370                        | -                | 2,370                           | 2,370               | 2,340               |
| Interest                            | -                   | 1,769                        | -                | 1,769                           | 1,769               | 1,459               |
| Total expenses before depreciation  | 1,074,313           | 199,380                      | 50,820           | 250,200                         | 1,324,513           | 1,248,010           |
| Depreciation                        | 6,107               | 1,921                        | 412              | 2,333                           | 8,440               | 5,353               |
| Total expenses                      | <u>\$ 1,080,420</u> | <u>\$ 201,301</u>            | <u>\$ 51,232</u> | <u>\$ 252,533</u>               | <u>\$ 1,332,953</u> | <u>\$ 1,253,363</u> |

**See accompanying notes to financial statements**



**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| <b>Cash Flows from Operating Activities:</b>   |             |             |
| Change in net assets   | \$ 24,194   | \$ 232,868  |
| <b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b> |             |             |
| Depreciation   | 8,440       | 5,353       |
| <b>(Increase) decrease in operating assets:</b>  |             |             |
| Accounts receivable  | (9,650)     | (4,050)     |
| Inventories  | (7,797)     | (3,832)     |
| Prepaid expenses and other assets  | -           | (2,103)     |
| <b>(Decrease) increase in operating liabilities:</b>   |             |             |
| Accounts payable and accrued expenses  | (20,437)    | (40,622)    |
| Deferred revenue   | (117,235)   | 143,826     |
| Deferred lease incentive   | -           | (8,371)     |
|  | (122,485)   | 323,069     |
| <b>Net cash (used in) provided by operating activities</b>   | (122,485)   | 323,069     |
| <b>Cash Flows from Financing Activities:</b>   |             |             |
| Principal payments on capital lease obligation   | (8,041)     | (4,780)     |
| Proceeds from note payable   | 68,900      | -           |
|  | 60,859      | (4,780)     |
| <b>Net cash provided by (used in) financing activities</b>   | 60,859      | (4,780)     |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>  | (61,626)    | 318,289     |
| <b>Total Cash at Beginning of Year</b>   | 740,281     | 421,992     |
| <b>Total Cash at End of Year</b>   | \$ 678,655  | \$ 740,281  |
| <b>Total cash consisted of the following at June 30:</b>   |             |             |
| Cash and cash equivalents  | \$ 470,559  | \$ 305,890  |
| Restricted cash  | 208,096     | 434,391     |
|  | \$ 678,655  | \$ 740,281  |
| <b>Supplemental disclosure of cash flow information:</b>   |             |             |
| Cash paid for interest during the year   | \$ 1,769    | \$ 1,459    |
| Equipment financed under a capital lease   | \$ -        | \$ 13,893   |

See accompanying notes to financial statements

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**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**

**Basis of Presentation**

The 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), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

**Measure of Operations**

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**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 furniture and equipment and the allocation of functional expenses.

**Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents and restricted cash consist of cash on deposit with financial institutions. 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, 2020 and 2019, 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.

Restricted cash consists of amounts on deposit at a financial institution that are funds received from a grant to be used for a specific programmatic purpose and contributions with restrictions.

**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.

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition**

Certain grants received by the Organization are considered conditional contributions since the grant agreements require the Organization to perform services, incur expenses or meet contract objectives in order to earn the grant funding. Payments received under these grants is deferred until earned. Revenue is earned and recognized in the financial statements when eligible expenses are incurred, services performed or grant objectives met. Deferred revenue from these conditional grants was approximately \$146,000 and \$295,000 at June 30, 2020 and 2019, respectively, and is included in deferred revenue in the accompanying statements of financial position.

Other grants and contributions without conditions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are reported at present value at the date the promise is received to the extent estimated to be collected by the Organization. Other conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenues from meetings, conferences, sponsorships and memberships are considered exchange transactions. Revenues from exchange transactions are recognized when control of the goods and services are transferred to the Organization's members or program participants in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

The Organization typically satisfies its performance obligations for membership dues over time as the related services are provided during the membership agreement period as a stand ready obligation. Revenues from meetings, conferences and sponsorships are recognized at the conclusion of the individual event.

Payments in general are required to be made in advance prior to the beginning of the membership period or prior to the individual event. Differences between the timing of billing and the recognition of revenue are recognized as either accounts receivable or deferred revenues in the statement of financial position.

Unearned billings and cash receipts from exchange transactions was approximately \$241,000 and \$209,000 at June 30, 2020 and 2019, respectively, and is included in deferred revenue in the accompanying statements of financial position.

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 Allocation of 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 and on a functional basis in the statements of activities. Expenses that can be identified with a specific program or supporting activity are charged directly to the program or supporting activity as a direct cost. Certain costs have been allocated based on their estimated usage in each program or supporting activity. The expenses that are allocated include the following:

| <b><u>Expense</u></b>            | <b><u>Method of Allocation</u></b> |
|----------------------------------|------------------------------------|
| Salaries and related expenses    | Time and effort                    |
| Occupancy                        | Time and effort                    |
| Equipment rental and maintenance | Time and effort                    |
| Telephone                        | Time and effort                    |
| Depreciation                     | Time and effort                    |

**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, 2020 AND 2019**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Summarized Comparative Financial For 2019**

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, 2019, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Net assets have not been impacted as a result of these reclassifications.

**New Accounting Pronouncement**

In June 2018, the Financial Accounting Standards Board (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 ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU 2018-08 effective July 1, 2019 and determined that the adoption will not result in a material change to how it accounts for revenue from contributions and grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition and establishes a five-step approach for the recognition of revenue. Topic 606 applies to the Organization since a portion of the Organization's revenues are generated from providing services that are considered exchange transactions. Management has determined that the adoption of ASU 2014-09 will not result in a material change to the timing of when the Organization's revenue is recognized and there was no cumulative effect adjustment recorded to opening net assets as of July 1, 2019 upon adoption of the standard.

**AMERICAN ASSOCIATION OF KIDNEY PATIENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**NOTE C - AVAILABILITY AND LIQUIDITY**

At June 30, 2020 and 2019, the Organization's financial assets available to meet general expenditures within one year were as follows:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Financial Assets:  |                   |                   |
| Cash and cash equivalents  | \$ 470,559        | \$ 305,890        |
| Accounts receivables   | 13,700            | 4,050             |
|  | <u>484,259</u>    | <u>309,940</u>    |
| Less Amounts Not Available to be Used<br>Within One Year:                              |                   |                   |
| Net assets with donor restrictions   | <u>147,342</u>    | <u>165,771</u>    |
| Financial assets available to meet general<br>expenditures over the next twelve months | <u>\$ 336,917</u> | <u>\$ 144,169</u> |

The Organization is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. 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 come due. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments.

**NOTE D - FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at June 30, 2020 and 2019:

|                               | <u>2020</u>      | <u>2019</u>      |
|-------------------------------|------------------|------------------|
| Furniture and equipment       | \$ 54,873        | \$ 54,873        |
| Less accumulated depreciation | <u>(41,758)</u>  | <u>(33,318)</u>  |
|                               | <u>\$ 13,115</u> | <u>\$ 21,555</u> |

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$8,440 and \$5,353, respectively.

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**NOTE E - LEASES**

The Organization leases certain office equipment under capital leases expiring at various times through March 2022. The Organization also leases its office space under a non-cancelable operating lease through May 2022. Rental expense on all operating leases was approximately \$32,000 in fiscal year 2020 and \$42,000 in fiscal year 2019.

At June 30, 2020 and 2019, the gross amount of office equipment recorded under capital leases was \$32,939. The related accumulated amortization recorded under the capital leases at June 30, 2020 and 2019 was \$19,824 and \$11,384, respectively. Amortization of assets held under the capital leases is included in depreciation expense.

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, 2020 are as follows:

| <u>Years Ending June 30,</u>                              | <u>Capital Lease</u> | <u>Operating<br/>Leases</u> | <u>Total</u>  |
|---|----------------------|-----------------------------|---------------|
| 2021  | \$ 9,810             | \$ 32,157                   | \$ 41,967     |
| 2022  | 6,911                | 30,286                      | 37,197        |
| Total minimum lease payments                              | 16,721               | <u>62,443</u>               | <u>79,164</u> |
| Less amount representing interest                         | <u>(1,258)</u>       |                             |               |
| Present value of capital lease payments                   | 15,463               |                             |               |
| Less current installments under capital lease obligations | <u>8,787</u>         |                             |               |
| Capital lease obligations, less current installments      | <u>\$ 6,676</u>      |                             |               |



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**NOTE F - NOTE PAYABLE**

In May 2020, the Organization received a loan under the Paycheck Protection Program (“PPP”) in the amount of \$68,900. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying entities. The loan and accrued interest are forgivable as long as the loan proceeds are used for qualifying expenses as described in the CARES Act. The loan accrues interest at 1% and was originally payable in eighteen monthly installments of principal and interest commencing seven months after the loan date if the loan, in whole or in part, was not forgiven under the provisions of the PPP. The loan is a program, of the U.S. Small Business Administration (SBA) and is administered by the Organization’s bank (lender).

In June 2020, the Paycheck Protection Program Flexibility Act was enacted which extended the deferral period for payments of principal, interest and fees on PPP loans. The revised deferral period includes the loan forgiveness covered period which can be up to 24 weeks plus an additional ten months. If any portion of the PPP loan is not forgiven, repayment of the unforgiven portion will commence after the SBA notifies the lender of the unforgiven loan amount and remits the forgiven loan amount to the lender. If the Organization elects not to apply for forgiveness, repayment of the loan will commence ten months after the end of the Organization’s loan forgiveness covered period.

The Organization currently intends to use the entire loan amount for qualifying expenses and apply for forgiveness of the entire loan. It is not possible, as of the date of these financial statements, to determine with certainty that the loan, in whole or in part, will be eligible for forgiveness. The timing of the repayment of any unforgiven loan amount is subject to a number of factors as described above and at a minimum, extends beyond the fiscal year ended June 30, 2021. Accordingly, the Organization has included the entire loan amount as a long-term liability in the accompanying statements of financial position.

**NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, net assets with donor restrictions related to the following:

|                                    | <u>2020</u>       | <u>2019</u>       |
|------------------------------------|-------------------|-------------------|
| Patient Safety Lectureship Program | \$ 130,071        | \$ 130,771        |
| Scholarships                       | 17,271            | 35,000            |
|                                    | <u>\$ 147,342</u> | <u>\$ 165,771</u> |

Net assets released from restrictions were comprised of the following:

|                                    | <u>2020</u>      | <u>2019</u>      |
|------------------------------------|------------------|------------------|
| Purpose restriction:               |                  |                  |
| Patient Safety Lectureship Program | \$ 700           | \$ 2,304         |
| Scholarships                       | 17,729           | -                |
| AAKP Delicious Program             | -                | 18,438           |
|                                    | <u>\$ 18,429</u> | <u>\$ 20,742</u> |

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**NOTE H - IN-KIND SUPPORT**

The value of in-kind contributions for the years ended June 30, 2020 and 2019 were \$5,760 and \$16,908, respectively, and consisted primarily of donated professional services.

**NOTE I - 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, 2020 and 2019, the Organization did not make any contributions to the Plan. Plan administrative expenses were approximately \$700 and \$2,000 for the years ended June 30, 2020 and 2019, respectively.

**NOTE J - SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management and the Organization's Board of Directors have responded to the outbreak by moving operations and programming from in-person to virtual and delaying and revising events as necessary rather than cancelling them. In addition, the Organization's annual budget was revised and funds were reallocated to support more virtual events in order to remain responsive to members, funders and donors.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year ended June 30, 2021.

The Organization has evaluated all subsequent events through October 29, 2020, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events, except as disclosed above, which would require recognition or disclosures in the financial statements.