

# **UNITED NETWORK FOR ORGAN SHARING**

## **CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

***As of and for the Year Ended September 30, 2016  
(With Summarized Comparative Totals 2015)***

***And Report of Independent Auditor***

# UNITED NETWORK FOR ORGAN SHARING

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## Report of Independent Auditor

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

### Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Network for Organ Sharing (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Network for Organ Sharing as of September 30, 2016, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's September 30, 2015 consolidated financial statements, and our report dated January 21, 2016 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters**

As discussed in Note 1 to the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 23, 2017, 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  
January 23, 2017

**UNITED NETWORK FOR ORGAN SHARING**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 9,562,471	\$ 9,890,996
Restricted cash	20,950,079	16,101,733
Investments	5,319,059	1,492,433
Restricted investments	1,901,197	600,405
Accounts receivable	10,920,758	9,684,387
Prepaid expenses	2,157,771	2,031,026
<b>Total Current Assets</b>	<b>50,811,335</b>	<b>39,800,980</b>
Property and equipment, net	24,039,938	24,609,828
Investments	1,011,929	2,708,005
Restricted investments	100,318	600,210
Other assets	822,842	573,855
<b>Total Assets</b>	<b>\$ 76,786,362</b>	<b>\$ 68,292,878</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current maturities of bonds payable	\$ 525,000	\$ 510,000
Current portion of notes payable	166,255	141,275
Accounts payable and accrued expenses	4,168,293	3,940,509
Due to National Organ Procurement Transplantation Network	24,021,060	20,940,412
<b>Total Current Liabilities</b>	<b>28,880,608</b>	<b>25,532,196</b>
Bonds payable, less current portion	6,385,000	6,910,000
Interest rate swap liability	64,763	183,854
Notes payable, less current portion	1,369,539	1,848,816
<b>Total Liabilities</b>	<b>36,699,910</b>	<b>34,474,866</b>
Net Assets:		
Unrestricted	39,426,190	33,121,780
Temporarily restricted	660,262	696,232
<b>Total Net Assets</b>	<b>40,086,452</b>	<b>33,818,012</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 76,786,362</b>	<b>\$ 68,292,878</b>

# UNITED NETWORK FOR ORGAN SHARING

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	OPTN	Network and Member Services	Management and General	Fundraising	2016 Total	2015 Total
Change in Unrestricted Net Assets:						
Revenue and Other Support:						
OPTN registration fees	\$ 40,696,908	\$ -	\$ -	\$ -	\$ 40,696,908	\$ 39,786,934
Government contracts - OPTN	5,298,671	-	-	-	5,298,671	5,109,985
UNOS registration fee	-	7,845,805	-	-	7,845,805	8,760,388
Grants revenue	-	20,588	-	-	20,588	69,107
Contributions	-	-	-	630,707	630,707	125,615
Interest income	-	92,629	-	483	93,112	58,875
Scientific and data analysis services	-	1,800,680	-	-	1,800,680	1,468,262
Regional and transplant forums	-	403,216	-	190,300	593,516	639,586
Miscellaneous	-	846,674	-	89,346	936,020	570,146
In-kind donations	-	-	-	203,600	203,600	79,377
Satisfaction of program restrictions	-	91,703	-	-	91,703	316,375
Total Unrestricted Revenues	<u>45,995,579</u>	<u>11,101,295</u>	<u>-</u>	<u>1,114,436</u>	<u>58,211,310</u>	<u>56,984,650</u>
Expenses:						
Salaries	21,194,719	1,531,521	2,097,020	192,847	25,016,107	24,491,829
Employee benefits and payroll taxes	10,629,189	375,223	513,769	47,248	11,565,429	9,815,624
Temporary help	434,130	281,091	26,406	-	741,627	1,532,328
Meetings and travel	1,853,667	732,715	20,456	2,159	2,608,997	2,785,441
Professional education programs and projects	-	378,386	-	-	378,386	219,389
Other purchased services	2,802,897	106,282	762,460	52,254	3,723,893	4,521,707
Telephone, telecommunications, and utilities	-	414,573	335,169	-	749,742	539,518
Equipment leases	-	-	229,991	-	229,991	213,514
Repairs and maintenance	1,474,109	17,948	484,491	-	1,976,548	2,096,052
Postage	9,719	4,013	6,780	1,879	22,391	30,116
Depreciation and amortization	1,878,478	29,532	1,063,067	-	2,971,077	2,685,968
In-kind donations	-	-	-	203,600	203,600	79,377
Indirect costs	5,540,290	-	(5,540,290)	-	-	-
Other	178,381	228,304	1,560,255	5,643	1,972,583	2,505,280
Total Expenses	<u>45,995,579</u>	<u>4,099,588</u>	<u>1,559,574</u>	<u>505,630</u>	<u>52,160,371</u>	<u>51,516,143</u>
Revenues over (under) expenses	<u>\$ -</u>	<u>\$ 7,001,707</u>	<u>\$ (1,559,574)</u>	<u>\$ 608,806</u>	<u>6,050,939</u>	<u>5,468,507</u>
Realized and unrealized gain (loss) on investments, net					240,143	(4,255)
Gain in the fair value of interest rate swap					119,091	98,803
Unrealized loss on insurance					(29,409)	(105,761)
Loss on disposal of property and equipment					(76,354)	(5,919)
Change in Unrestricted Net Assets					<u>6,304,410</u>	<u>5,451,375</u>
Change in Temporarily Restricted Net Assets:						
Contributions					55,733	178,203
Net assets released from restrictions					(91,703)	(316,375)
Change in Temporarily Restricted Net Assets					<u>(35,970)</u>	<u>(138,172)</u>
Change in net assets					6,268,440	5,313,203
Net assets, beginning of the year					<u>33,818,012</u>	<u>28,504,809</u>
Net assets, end of the year					<u>\$ 40,086,452</u>	<u>\$ 33,818,012</u>

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

**UNITED NETWORK FOR ORGAN SHARING**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,268,440	\$ 5,313,203
Adjustments to reconcile changes in net assets to net cash:		
Depreciation and amortization	2,971,077	2,685,968
Loss on disposal of property and equipment	76,354	5,919
Gain on interest rate swap	(119,091)	(98,803)
Loss on insurance values	29,409	105,761
Realized and unrealized (gain) loss on investments, net	(240,143)	4,255
Change in operating assets and liabilities:		
Accounts receivable	(1,236,371)	1,141,367
Prepaid expenses	(156,154)	(463,905)
Other assets	(248,987)	207,713
Accounts payable and accrued expenses	227,784	(878,553)
Due to OPTN	3,080,648	2,579,413
Other liabilities	-	(467,368)
Net cash provided by operating activities	<u>10,652,966</u>	<u>10,134,970</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,477,541)	(3,388,092)
Purchases of investments	(6,295,393)	(1,200,000)
Proceeds from sales of investments	<u>3,604,086</u>	<u>1,136,494</u>
Net cash used in investing activities	<u>(5,168,848)</u>	<u>(3,451,598)</u>
<b>Cash flows from financing activities:</b>		
Repayments of long-term debt and notes payable	(964,297)	(920,817)
Net cash used in financing activities	<u>(964,297)</u>	<u>(920,817)</u>
Increase in cash and cash equivalents	4,519,821	5,762,555
Cash and cash equivalents, beginning of year	<u>25,992,729</u>	<u>20,230,174</u>
Cash and cash equivalents, end of year	<u>\$ 30,512,550</u>	<u>\$ 25,992,729</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 321,898</u>	<u>\$ 358,775</u>
(Refund of) cash paid during the year for income taxes	<u>\$ (78,510)</u>	<u>\$ 204,471</u>
<b>Supplemental disclosures - cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 9,562,471	\$ 9,890,996
Restricted cash	<u>20,950,079</u>	<u>16,101,733</u>
Cash and cash equivalents, end of year	<u>\$ 30,512,550</u>	<u>\$ 25,992,729</u>

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

# UNITED NETWORK FOR ORGAN SHARING

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

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### Note 1—Organization and nature of operations

United Network for Organ Sharing (“UNOS”), 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”), UNOS 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, UNOS maintains a computerized database to identify potential transplant recipients and to provide for the systematic matching of donated organs with such recipients. UNOS 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. UNOS’s Board of Directors is currently made up of 42 voting members elected from UNOS’s membership and the general public.

On September 12, 2013, UNOS was awarded the latest 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. During the year, HRSA opted to extend the OPTN Contract through September 29, 2017. The OPTN Contract is the primary source of revenue for UNOS. If UNOS is not awarded the new OPTN Contract, its future operations would have been materially adversely affected.

The accompanying consolidated financial statements include the financial position and results of operation of the UNOS Foundation (the “Foundation”). The Foundation is a 501(c)(3) corporation that was incorporated in 1993 to hold the exclusive rights to all software developed and used by UNOS, and to solicit contributions to support UNOS’s capital campaign and ongoing operations. UNOS appoints the members to the Foundation’s Board of Directors. All intercompany amounts have been eliminated in consolidation.

### Note 2—Summary of significant accounting policies

*Basis of Accounting* – The accompanying consolidated financial statements of UNOS and the Foundation (collectively, the “Organization”) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

*Basis of Presentation* – The consolidated 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 GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements as of and for the year ended September 30, 2015, 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 consolidated 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. Costs that cannot be specifically identified with a particular function and benefit more than one functional category are allocated to network and member services.



# UNITED NETWORK FOR ORGAN SHARING

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

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### Note 2—Summary of significant accounting policies (continued)

*Use of Estimates* – The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

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

The Organization earns unrestricted 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.

Temporarily restricted revenue 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 temporary restrictions are reported as increases to unrestricted revenue and decreases to temporarily restricted revenue under assets released from restrictions. If the expiration of temporary restrictions occurs in the same fiscal year as the contribution is received, the contributions are shown as unrestricted revenue. Expenses are reported as decreases in unrestricted net assets.

*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:

*Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets 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.

*Temporarily Restricted* – Net assets, whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. At September 30, 2016 and 2015, temporarily restricted net assets consisted of the specific purpose fund.

*Permanently Restricted* – Net assets subject to donor-imposed stipulations should be maintained permanently by the Organization. There were no permanently restricted net assets during 2016 or 2015.

*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 CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

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### 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 (“FDIC”) 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, 2016, the Organization had \$30,487,091 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. UNOS derived approximately 79% and 80% of its unrestricted revenue from government contracts for the years ended September 30, 2016 and 2015, respectively.

*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 consolidated 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 consolidated 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, three to 15 years for furniture and non-computer equipment, and three to five 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 2016.

*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 unrestricted income from these activities was \$(78,510) and \$204,471 for the years ended September 30, 2016 and 2015, respectively.

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

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

**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**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.

*Interest Rate Swap* – FASB guidance requires organizations to recognize all derivative instruments as either assets or liabilities at fair value on the consolidated statement of financial position. In accordance with FASB guidance, the Organization designates interest rate swaps as cash flow hedges of forecasted purchases of commodities of variable-rate borrowings. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other income in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are also recognized in current change in net assets.

*Upcoming Accounting Pronouncements* – In November 2016, FASB issued Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flow explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this update are effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2016, and early adoption is permitted. The impact of ASU 2016-18 appears to have no impact on the Organization.

**Note 3—Investments**

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

	<u>2016</u>	<u>2015</u>
Short-term investments:		
Money markets	\$ 272,585	\$ 189,889
Certificates of deposit	1,901,199	1,902,949
Equity securities	2,932,914	-
Mutual funds	2,113,558	-
Total short-term investments	<u>7,220,256</u>	<u>2,092,838</u>
Long-term investments:		
Corporate notes and bonds	201,156	500,712
Certificates of deposit	911,091	2,807,503
Total long-term investments	<u>1,112,247</u>	<u>3,308,215</u>
Total Investments	<u>\$ 8,332,503</u>	<u>\$ 5,401,053</u>

Interest income related to investments for the years ended September 30, 2016 and 2015 was \$93,112 and \$58,875, respectively.

**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**Note 4—Accounts receivable**

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

	<u>2016</u>	<u>2015</u>
OPTN registration fees	\$ 7,273,952	\$ 6,935,414
UNOS membership fees	1,305,035	1,436,252
Government contracts	984,181	858,211
Other	1,357,590	454,510
	<u>\$ 10,920,758</u>	<u>\$ 9,684,387</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, 2016 and 2015, respectively. No allowance for uncollectible amounts was considered necessary as of September 30, 2016 and 2015, as OPTN and UNOS members are required by federal regulation to pay the respective registration fee. Bad debt expense totaled \$46,574 and \$5,055 for the years ended September 30, 2016 and 2015, respectively.

**Note 5—Property and equipment**

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

	<u>2016</u>	<u>2015</u>
Land	\$ 1,113,000	\$ 1,113,000
Building	22,857,482	21,796,860
Donor memorial	1,714,512	1,714,512
Computer hardware	14,954,109	14,780,400
Furniture and other equipment	3,148,994	3,648,965
Leasehold improvements	21,065	21,065
Other fixed assets	588,931	588,931
	<u>44,398,093</u>	<u>43,663,733</u>
Less accumulated depreciation	<u>(20,358,155)</u>	<u>(19,053,905)</u>
Property and equipment, net	<u>\$ 24,039,938</u>	<u>\$ 24,609,828</u>

Depreciation expense related to property and equipment for the years ended September 30, 2016 and 2015 was \$2,971,077 and \$2,685,968, respectively. Loss on disposal of property and equipment totaled \$76,354 and \$5,919 for the same years then ended, respectively.

**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**Note 6—Accounts payable and other accrued expenses**

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

	<u>2016</u>	<u>2015</u>
Trade	\$ 1,668,555	\$ 1,808,444
Accrued operating expenses	422,301	40,722
Accrued benefit contributions	195,471	197,785
Accrued compensation absences	1,881,966	1,893,558
	<u>\$ 4,168,293</u>	<u>\$ 3,940,509</u>

**Note 7—Long-term debt**

In December 2010, UNOS paid off the 2002 Bonds originally issued in the amount of \$12,000,000, which were used to finance the construction of UNOS corporate headquarters, and obtained \$9,720,000 from the issuance of the 2010 Bonds. Interest is payable on the 2010 Bonds on the first day of each month. Interest rates were initially determined on the 2010 Bonds based on a weekly rate as determined by the bank serving as agent for the bond issuance. UNOS 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. UNOS 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, 2016 and 2015 was 1.66% and 1.44%, respectively.

Bonds payable and long-term obligations as of September 30 consist of the following amounts:

	<u>2016</u>	<u>2015</u>
2010 bonds	\$ 6,910,000	\$ 7,420,000
Less current maturities	(525,000)	(510,000)
	<u>\$ 6,385,000</u>	<u>\$ 6,910,000</u>

Future maturities on bonds payable at September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	
2017	\$ 525,000
2018	545,000
2019	565,000
2020	585,000
2021	605,000
Thereafter	4,085,000
Total	<u>\$ 6,910,000</u>

**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**Note 7—Long-term debt (continued)**

In 2011, UNOS 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 UNOS 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 UNOS headquarters building at 700 North 4<sup>th</sup> Street, Richmond, Virginia.

On June 22, 2015, UNOS entered into a lease agreement with Virginia Commonwealth University (“VCU”), which stipulates that VCU is to lease a portion of the Jackson Center from UNOS for a period of ten years and six months, commencing on February 16, 2016. Rental revenue totaled \$362,669 for the year ended September 30, 2016 and is included with miscellaneous revenue on the consolidated statement of activities. Future amounts of rental payments due from VCU at September 30, 2016 are as follows:

**Year Ending September 30,**

2017	\$ 515,095
2018	527,972
2019	541,171
2020	554,700
2021	568,568
Thereafter	<u>2,794,715</u>
Total	<u>\$ 5,502,221</u>

Notes payable related to the Jackson Center promissory note consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Jackson Center loan	\$ 1,535,794	\$ 1,990,091
Less current maturities	<u>(166,255)</u>	<u>(141,275)</u>
	<u>\$ 1,369,539</u>	<u>\$ 1,848,816</u>

Future maturities on notes payable at September 30, 2016 are as follows:

**Year Ending September 30,**

2017	\$ 166,255
2018	175,396
2019	185,041
2020	195,215
2021	205,949
Thereafter	<u>607,938</u>
Total	<u>\$ 1,535,794</u>

# UNITED NETWORK FOR ORGAN SHARING

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

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### Note 7—Long-term debt (continued)

UNOS incurred approximately \$322,000 and \$357,000 of interest expense for the years ended September 30, 2016 and 2015, respectively. Interest expense is included with other expenses on the consolidated statement of activities. The notes 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, 2016, UNOS was in compliance with those covenants. Management is reserving cash to meet the required principal and interest payment in accordance with the payment deadlines.

UNOS entered into an interest rate swap agreement in February 2006, which was amended in December 2010. As of September 30, 2016, the interest rate swap has a notional amount of \$3,455,000 whereby UNOS pays a fixed rate of interest of 3.55% and receives a variable rate of 65.7% of LIBOR – BBA Index (0.52722% at September 30, 2016). The change in the fair value of the interest rate swap is recognized as a yield adjustment in the current year of operations. The effect of gains and losses on the Organization's consolidated statement of activities related to derivative instruments designated as cash flow hedges amounted to a gain in the fair value of the interest rate swap of \$119,091 and \$98,803 for the years ended September 30, 2016 and 2015, respectively. Accordingly, the accompanying consolidated statement of financial position includes \$64,763 and \$183,854 in accounts payable and other accrued expenses to reflect the fair value of the interest rate swap as of September 30, 2016 and 2015, respectively.

### Note 8—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 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.

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.

**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**Note 8—Fair value measurements (continued)**

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, Mutual Funds, and Corporate Bonds* – Valued at the closing price reported on the active market on which the individual securities are traded.

*Interest Rate Swap* – Valued using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market-based inputs, including LIBOR rate curves.

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, 2016 or 2015, respectively.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2016:

	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Assets:				
Investments:				
Equity securities	\$ 2,932,914	\$ -	\$ -	\$ 2,932,914
Mutual funds	2,113,558	-	-	2,113,558
Corporate bonds	-	201,156	-	201,156
Total investments at fair value	5,046,472	201,156	-	5,247,628
Certificates of deposit, carried at cost	-	-	-	2,812,290
Money market, carried at cost	-	-	-	272,585
Total Investments	<u>\$ 5,046,472</u>	<u>\$ 201,156</u>	<u>\$ -</u>	<u>\$ 8,332,503</u>
Liabilities:				
Interest rate swap	<u>\$ -</u>	<u>\$ 64,763</u>	<u>\$ -</u>	<u>\$ 64,763</u>



**UNITED NETWORK FOR ORGAN SHARING**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

**Note 8—Fair value measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2015:

	Fair Value			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Corporate bonds	\$ -	\$ 500,712	\$ -	\$ 500,712
Total investments at fair value	-	500,712	-	500,712
Certificates of deposit, carried at cost	-	-	-	4,710,452
Money market, carried at cost	-	-	-	189,889
Total Investments	<u>\$ -</u>	<u>\$ 500,712</u>	<u>\$ -</u>	<u>\$ 5,401,053</u>
Liabilities:				
Interest rate swap	<u>\$ -</u>	<u>\$ 183,854</u>	<u>\$ -</u>	<u>\$ 183,854</u>

**Note 9—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 UNOS who have completed 1,000 hours of continuous employment earn a year of vesting for plan purposes. All UNOS employees are eligible for participation coincident with employment. UNOS 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, 2016 and 2015. Employees become fully vested after six years of vesting service, as defined in the plan. Forfeitures serve to reduce the total contribution required of UNOS. Contributions made by UNOS for the years ended September 30, 2016 and 2015 amounted to approximately \$2,279,213 and \$2,282,615, respectively. Contributions are included with employee benefit and payroll taxes on the consolidated statement of activities.

**Note 10—Operating leases**

UNOS leases certain office equipment under non-cancelable operating leases. Equipment lease expense was approximately \$229,991 for the year ended September 30, 2016. Future minimum lease payments under the remaining portion of non-cancelable operating leases are as follows:

<u>Year Ending September 30,</u>	
2017	\$ 154,338
2018	154,338
2019	<u>141,476</u>
	<u>\$ 450,152</u>

# UNITED NETWORK FOR ORGAN SHARING

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2015)

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### **Note 11—Contingencies**

DHHS and the General Accounting Office (“GAO”) are entitled to review the accounting and other records of UNOS. 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 UNOS is in compliance with applicable provisions of the OPTN Contract.

UNOS, 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 UNOS’s policy to handle all claims promptly, efficiently, fairly, and in accordance with the provisions of the OPTN Contract and applicable laws, UNOS may be subjected to a plaintiff’s allegations seeking damages. On the basis of information provided by in-house and external counsel and others, UNOS believes there are no contingencies that will materially affect the consolidated financial statements.

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

### **Note 12—Subsequent events**

Management has evaluated subsequent events through January 23, 2017, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

## **SUPPLEMENTAL INFORMATION**

**UNITED NETWORK FOR ORGAN SHARING**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED SEPTEMBER 30, 2016*

<u>Federal Grantor</u>	<u>Identifying Number (CFDA Number Not Available)</u>	<u>Federal Expenditures</u>
Department of Health and Human Services Direct Payments		
Health Resources and Services Administration	Organ Procurement and Transplantation Network (93.231-00-0115)	<u>\$ 5,298,671</u>
		<u><u>\$ 5,298,671</u></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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED SEPTEMBER 30, 2016*

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**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 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 consolidated financial statements.

**Note 2—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 consolidated financial statements of United Network for Organ Sharing (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated 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 January 23, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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.

A handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
January 23, 2017



## **Report of Independent Auditor on Compliance for Each Major 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, 2016. 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, 2016.

## 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.

Handwritten signature in cursive script that reads "Cheryl Bekart LLP".

Richmond, Virginia  
January 23, 2017

**UNITED NETWORK FOR ORGAN SHARING**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND CORRECTIVE ACTIONS PLANS**

YEAR ENDED SEPTEMBER 30, 2016

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**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 consolidated 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 consolidated 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 Consolidated 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, 2016*

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There were no items reported for the year ended September 30, 2015.