

Beyond

> THE NUMBERS

AUDITORS' REPORT TO FINANCE COMMITTEE

Year Ended December 31, 2019

May 19, 2020



BARNES DENNIG
Accounting • Tax • Business Insight

LifeCenter 

Saving lives through organ and tissue donation.

REQUIRED COMMUNICATIONS

Introduction

We are pleased to serve LifeCenter Organ Donor Network (“LifeCenter”) as its independent auditors and look forward to our continued relationship. We provide the information on the following pages to assist you in performing your oversight responsibilities. This information is intended solely for the information and use of the Finance Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Audit Results

- ✓ We plan to issue an unmodified (clean) opinion on the consolidated financial statements
- ✓ We received excellent cooperation from Barry, Susan, Barb and LifeCenter’s staff.

REQUIRED COMMUNICATIONS

Planned Audit Scope

Scope of Services - Communicated in our Engagement Letter dated January 8, 2020

- ✓ Audit of 2019 consolidated financial statements in accordance with generally accepted auditing standards
- ✓ Preparation of IRS 990

Engagement Team

- | | | |
|------------------------|---------------|--|
| ✓ Bradley Chaffin, CPA | Director | bchaffin@barnesdennig.com |
| ✓ Rachael Cruse, CPA | Audit Manager | rcruse@barnesdennig.com |
| ✓ Paula Hume, CPA | Tax Director | phume@barnesdennig.com |

REQUIRED COMMUNICATIONS

Management and Auditor's Responsibilities

- ✓ The financial statements are the responsibility of LifeCenter's management.
- ✓ As LifeCenter's auditors, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.
- ✓ The internal controls are the responsibility of management. As part of our audit, we considered the internal control of LifeCenter. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- ✓ Our audit of the financial statements does not relieve you or management of your responsibilities.
- ✓ Refer to our engagement letter with LifeCenter for further information on the responsibilities of management and Barnes Dennig.

REQUIRED COMMUNICATIONS

Significant Accounting Policies

The Finance Committee should be informed of the initial selection and changes in significant accounting policies or their application. Also, the Finance Committee should be aware of methods used to account for significant unusual transactions.

- ✓ Significant Accounting Policies are discussed in Note 1 to the financial statements
 - ✓ New significant accounting policy adopted in 2019: ASU 2014-09 Revenue from Contracts with Customers (Topic 606)

- ✓ No unusual transactions or alternative accounting policies noted during audit.

REQUIRED COMMUNICATIONS

Management's Judgments and Accounting Estimates

The Finance Committee should be informed about the process used by management in forming sensitive accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Sensitive estimates made by management which affect the financial statements:

Accounting Policy	Judgments & Estimates
Allowance for doubtful accounts	The allowance for doubtful accounts was determined by management based upon historical collection analysis and other information related to outstanding balances with AlloSource. We have reviewed this estimate for reasonableness and have determined that the allowance is reasonable, provided the circumstances.
Depreciable lives of property and equipment	The estimate of depreciation is based on straight-line basis over estimated useful lives of the respective assets. We tested this estimate by recalculating depreciation. We determined that the depreciation is a reasonable estimate.

REQUIRED COMMUNICATIONS

Management's Judgments and Accounting Estimates

Sensitive estimates made by management which affect the financial statements - Continued:

Accounting Policy	Judgments & Estimates
CMS settlement per cost report	The CMS settlement was determined based on current cost and other financial information and will be submitted to the intermediary for their review. The intermediary will review the cost report and request disbursement for the approved settlement. We have reviewed this calculation for reasonableness.
Functional allocation of expenses	The estimate of the allocation of functional expenses is based on the actual expenditures and cost allocations based upon estimates of time spent by LifeCenter's personnel. We tested this estimate by evaluating the reasonableness and consistency with prior years. We determined that the allocation is a reasonable estimate.

REQUIRED COMMUNICATIONS

Audit Adjustments

We are to inform the Finance Committee of material corrected misstatements that were brought to the attention of management as a result of our audit procedures as well as uncorrected misstatements that were determined by management to be immaterial to the financial statements taken as a whole.

- ✓ There was one auditor adjustment made during the course of the audit.
 - ✓ Entry to record MTL construction in process at year-end. \$101,398 increase to construction in process and accrued expenses.
- ✓ There were two client-provided entries recorded:
 - ✓ Entry to record the CMS settlement receivable. \$840,875 increase in CMS receivable and kidney revenue with no allowance against that receivable for “218 Organs”.
 - ✓ Entry to record the investment in NFL as an equity investment. \$42,646 increase in investment in supporting organization and income from investment.
- ✓ There were no uncorrected (due to materiality levels) audit adjustments.

REQUIRED COMMUNICATIONS

Internal Controls

The Finance Committee should be advised of any significant deficiencies or material weaknesses coming to the auditor's attention.

- ✓ During the course of our audit of the financial statements, we did not note any material weaknesses in internal control.
- ✓ We did note certain internal control and information technology best practices that were communicated with management during the audit.

Fraud and Illegal Acts

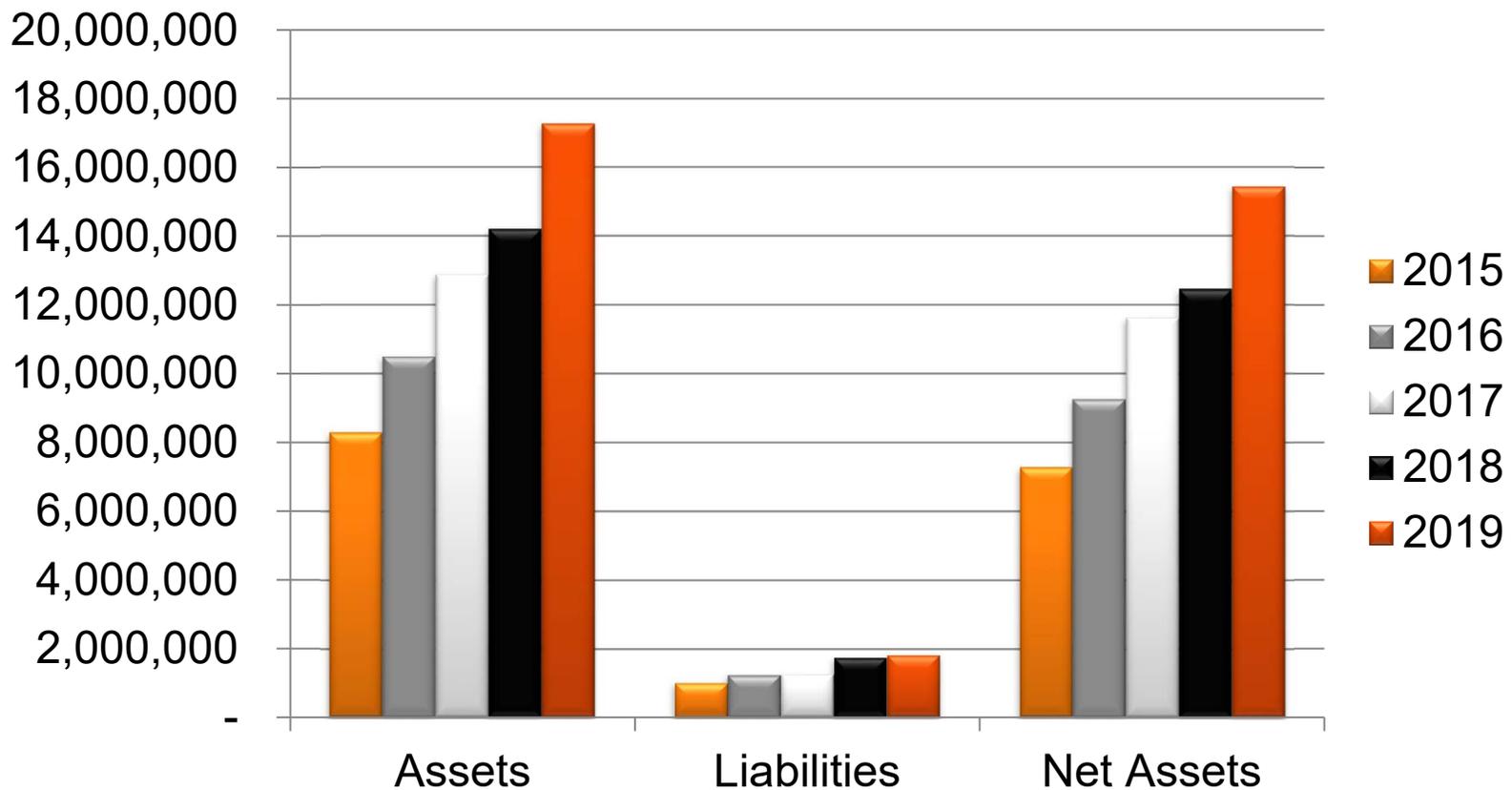
The Finance Committee should be adequately informed of any fraud and illegal acts noted.

- ✓ We are not aware of any matters that require communication. Furthermore, LifeCenter's management will represent to us that they are not aware of any fraud or illegal acts for the period from January 1, 2019 to the report issuance date in their management representation letter to us.

REQUIRED COMMUNICATIONS

Communication Item	Results
<p>Significant Difficulties Encountered During the Audit We are to inform the Finance Committee of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements with Management We are to discuss with the Finance Committee any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LifeCenter's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform the Finance Committee of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p>Significant Issues Discussed, or Subject to Correspondence with Management We are to communicate to the Finance Committee any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no significant issues discussed with management during the course of our audit.</p>
<p>Representations the Auditor is Requesting From Management We are to make available to the Finance Committee a copy of management's requested written representations to us.</p>	<p>The management representation letter is available upon request.</p>

STATEMENT OF FINANCIAL POSITION ANALYSIS



Source: Audited Financial Statements

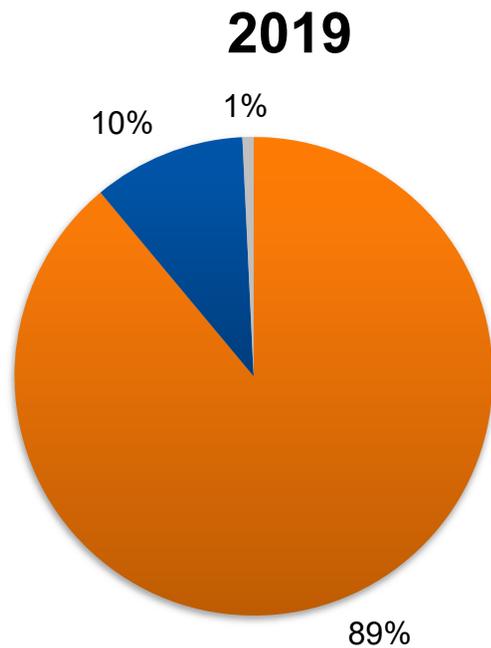
STATEMENT OF ACTIVITIES ANALYSIS

OPERATING ACTIVITIES

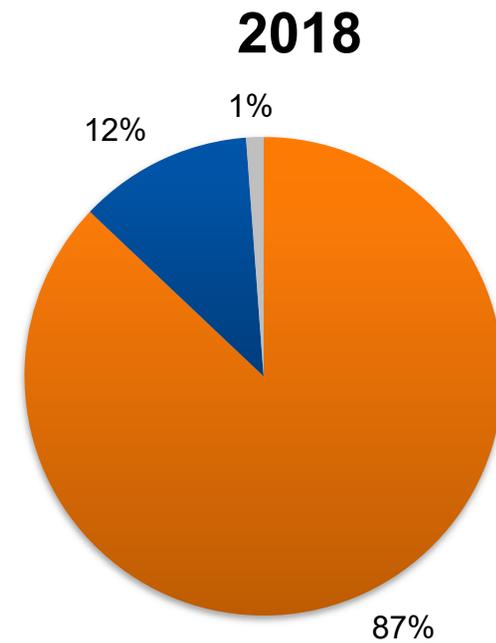
	2019	2018	Change
Procurement	\$ 16,606,000	\$ 15,074,000	\$ 1,532,000
Communication center	238,000	231,000	7,000
Special events	68,000	158,000	(90,000)
Contributions	24,000	32,000	(8,000)
Other income	<u>139,000</u>	<u>81,000</u>	<u>58,000</u>
Total revenue	17,075,000	15,576,000	1,499,000
Expenses	<u>(15,749,000)</u>	<u>(14,120,000)</u>	<u>(1,629,000)</u>
Operating income	\$ 1,326,000	\$ 1,456,000	\$ (130,000)

Source: Audited Financial Statements

FUNCTIONAL EXPENSES



■ Program ■ Administrative ■ Fundraising



■ Program ■ Administrative ■ Fundraising

Source: Audited Financial Statements

NEW ACCOUNTING STANDARDS

➤ Accounting Standard Updates

- Leases (ASU 2016-02)

- Effective for calendar year 2021*
- Recognition of a right-of-use asset and lease liability on the Statement of Financial Position
- Leases greater than 12 months

*Proposal to defer until 2022

OTHER MATTERS

- Commitments
- Contingencies
- Fraud
- Subsequent Events
- Executive Session

Not-For-Profits

> ARE IN GOOD HANDS



➤ Making a Difference One Not-for-Profit at a Time

Funding. Whether those dollars come from donations, memberships or grants, this is the single biggest success factor for not-for-profits. Getting funding when needed is not easy. Those who receive government grants may be receiving late payments, which translate into lower reserves and increases in lines of credit. Dependence on a few major donors can be negative if that funding doesn't come through. Managing a not-for-profit's revenue and cash can become a complex juggling act.

Add to that a demand for increased transparency, consolidation of not-for-profit organizations, increased use of technology and changing accounting standards, and not-for-profits face an array of issues unlike most other industries. This requires that they work with a team of accounting professionals who understand what not-for-profits face day-in and day-out; who are dedicated to their success; who understand how saving one starfish can really make a difference (see sidebar);

Not only do we have a team of professionals dedicated to serving more than 200 not-for-profits, our people serve on many boards which gives us unique insights into a variety of not-for-profits.

The following are the types of not-for-profit entities we have expertise in serving:

- Cultural Arts
- Foundations
- Healthcare
- Education
- HUD-Funded
- Membership Organizations
- Mental Health Agencies
- Religious Organizations
- Government & Public Sector
- Social Service Organizations

At Barnes Denning, it's about going beyond to make a difference one starfish not-for-profit at a time. Contact us to see how we can help strengthen your organization so you can work on doing more to fulfill your mission.

Want to know if you are prepared to handle your organization's future? Request a copy of our Not-For-Profit Compensation & Benefits Benchmarking Study.

The Starfish Story

*(Adapted from "The Star Thrower"
by Lauren Eiseley)*

One day the executive director of a not-for-profit was walking along the beach, when he noticed a young woman picking up starfish and gently throwing them into the ocean.

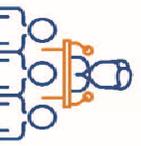
He approached and asked, "Young lady, what are you doing?"

"Throwing starfish back into the ocean. The surf is up and the tide is going out. If I don't throw them back, they'll die," she replied.

The man said, "Don't you realize there are miles and miles of beach and hundreds of starfish? You can't possibly make a difference!"

After listening politely, the young woman bent down, picked up another starfish and threw it into the sea. Then smiling at the executive director she said, "It made a difference for that one."

All of these resources and beyond are available online.



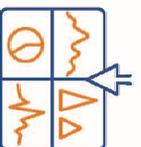
UPCOMING
EVENTS



SEMINAR
PLAYBACK



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POSTS



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industries we serve



SYSTEMS ASSURANCE

Cybersecurity – Keeping Donor and Client Information Secure

➤ **Services**

- **Cybersecurity Assessments**
- **Online Donor System Testing**
- **PCI Compliance**
- **HIPAA Compliance**
- **Privacy & GDPR Compliance**
- **Disaster Recovery Testing**
- **SOC 1, 2 & 3 / SSAE 18 Reporting**

➤ **Contact:**

Robert Ramsay, Director
CPA, CITP, CCSFP, SOC
RRamsay@barnesdennig.com
513-929-6002



BARNES DENNIG
Information Systems Risk Management

WEALTH MANAGEMENT



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Financial Services

- Establishment of trusts including:
- Formation of private foundations
- Business valuation
- Educational funding
- Cash flow and budgeting for individuals
- Stock option analysis
- Insurance needs
- Preservation of financial assets
- Succession planning
- Retirement planning
- Estate and gift tax planning

➤ **Contact:**

George Sparks, Director

gsparks@barnesdennig.com

513-241-8313

MERGERS & ACQUISITIONS



Transaction Advisory Group

➤ **Services for businesses:**

- Growth and Succession Planning
- Capital Raising
- Mergers & Acquisitions
- Business Valuation
- Financial and Tax Due Diligence
- Quality of Earnings Reports
- Transaction Accounting
- Financial Management Services

➤ **Contact:**

Dino Lucarelli, Director
dlucarelli@barnesdennig.com
513-241-8313

BOOKKEEPING

get your business and financial



➤ **Services:**

- **Business Consulting Services**
- **Operational Strategy**
- **Bookkeeping**
- **Accounting Consulting for Start-Up Success**
- **QuickBooks® Training and Consulting**
- **Outsource Controller Services**

➤ **Contact:**

Tricia Reynolds, Principal
treynolds@ducksinarow.com
877-851-9270

Resources



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CLIENT STORIES



SUBSCRIBE



BLOG



CLIENT TESTIMONIALS



SEMINARS PLAYBACK



Events

Date	Forum	Topic	Registration
May 14, 2020	Barnes Dennig Financial Services Webinar	Smart Strategies for Investing in an Volatile Market	LEARN MORE & RSVP
September 1, 2020	Employee Benefit Plan Seminar	The 2020 Retirement Plan Symposium	LEARN MORE & RSVP
September 9, 2020	19th Annual Not-for-Profit Leadership Summit	The Four Pillars of Donor Relations & Don't let your Board be Bored by Donor Relations	LEARN MORE & RSVP
November 4, 2020	Manufacturing Annual Seminar	Alan Beaulieu Presents his Economic Forecast for 2021	LEARN MORE & RSVP

OUR LEADERSHIP



Kathy Ahearn, CPA



Steve Bailey, CPA



Andy Bertke, CPA/PFS,
MBA, CFF



Alan Bieber, CPA, CVA, Esq.



Brad Chaffin, CPA



Joe Conover, CPA



Scott Cress, CPA,
CVA, CM&AA



Chip Dennig, CPA



Jim Donnellon, CPA



Rob Ford, CPA



Patrick Frambes, CPA



Cheryl Ganim, CPA

OUR LEADERSHIP



Eric Goodman, CPA



Tom Groskopf, CPA,
CVA, MBA



Steve Hube, CPA



Paula Hume, CPA



Ellen Juram, CPA



Harold Kremer, CPA,
CVA, ABV



Dino Lucarelli, CPA



Chad Martin, CPA, CFE



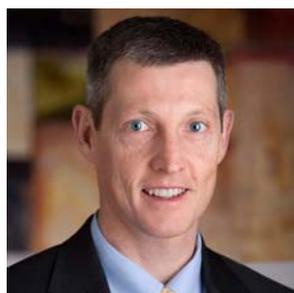
Cindy Padilla, CPA



Dave Phelps, CPA



Jay Rammes, CPA



Robert Ramsay, CPA,
CISA, CITP, HITRUST CCSFP



Reid Schlotterbeck,
CPA



George Sparks,
CPA/PFS



Linda Weigand,
CPA, JD