

Transplant House

Financial Statements

December 31, 2022 and 2021

Transplant House

Table of Contents

December 31, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditors' Report

To the Board of Directors of
Transplant House

Opinion

We have audited the financial statements of Transplant House, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Transplant House as of December 31, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Transplant House and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Transplant House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Transplant House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Transplant House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
July 11, 2023

Transplant House

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,987,703	\$ 2,214,158
Accounts receivable, net	59,453	2,994
Current portion of pledges receivable	209,995	245,038
Other current assets	7,830	18,323
Due from affiliate	-	584,018
	<hr/>	<hr/>
Total current assets	2,264,981	3,064,531
Investments	9,568,250	9,636,153
Pledges Receivable, Net	450,657	348,334
Operating Lease Right-of-Use Assets	1,881	6,078
Property and Equipment, Net	7,249,227	7,565,074
	<hr/>	<hr/>
Total assets	<u>\$ 19,534,996</u>	<u>\$ 20,620,170</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 18,838	\$ 102,485
Accrued expenses	111,111	49,936
Operating lease obligations	1,881	4,197
Due to affiliate	219,853	159,220
	<hr/>	<hr/>
Total current liabilities	351,683	315,838
Operating Lease Obligations	-	1,881
	<hr/>	<hr/>
Total liabilities	351,683	317,719
Net Assets		
Without donor restrictions	18,503,890	19,709,079
With donor restrictions	679,423	593,372
	<hr/>	<hr/>
Total net assets	19,183,313	20,302,451
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Total liabilities and net assets	<u>\$ 19,534,996</u>	<u>\$ 20,620,170</u>

See notes to financial statements

Transplant House

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, Gains and Other Support		
Room revenues	\$ 342,960	\$ 247,700
Contributions	1,523,369	1,445,421
Net assets released from restrictions	285,735	279,125
	<u>2,152,064</u>	<u>1,972,246</u>
Expenses		
Salaries and fringe benefits	1,153,869	966,425
Building expenses/repairs and maintenance	557,321	515,686
Postage and printing	85,161	76,637
Professional fees	79,306	72,955
Travel, meetings and seminars	16,803	6,815
Other	252,793	258,112
Room revenue allowance	79,090	49,602
Depreciation	479,376	505,076
	<u>2,703,719</u>	<u>2,451,308</u>
Total expenses	<u>2,703,719</u>	<u>2,451,308</u>
Operating loss	<u>(551,655)</u>	<u>(479,062)</u>
Nonoperating Income (Loss)		
Net unrealized (losses) gains on investments	(1,407,021)	309,380
Net realized (losses) gains on investments	(95,508)	222,211
Interest and dividend income	214,642	201,427
	<u>(1,287,887)</u>	<u>733,018</u>
Total nonoperating (loss) income	<u>(1,287,887)</u>	<u>733,018</u>
Transfers From Affiliates, Net	<u>634,353</u>	<u>584,018</u>
(Decrease) increase in net assets without donor restrictions	<u>(1,205,189)</u>	<u>837,974</u>
Net Assets With Donor Restrictions		
Contributions, net	371,786	470,530
Net assets released from restrictions	(285,735)	(279,125)
	<u>86,051</u>	<u>191,405</u>
Increase in net assets with donor restrictions	<u>86,051</u>	<u>191,405</u>
Change in net assets	(1,119,138)	1,029,379
Net Assets, Beginning	<u>20,302,451</u>	<u>19,273,072</u>
Net Assets, Ending	<u>\$ 19,183,313</u>	<u>\$ 20,302,451</u>

See notes to financial statements

Transplant House

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,119,138)	\$ 1,029,379
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	479,376	505,076
Room revenue allowance	79,090	49,602
Net unrealized losses (gains) on investments	1,407,021	(309,380)
Net realized losses (gains) on investments	95,508	(222,211)
Transfers from affiliate	(634,353)	(584,018)
Change in assets and liabilities:		
Accounts receivable, net	(135,549)	(46,564)
Pledges receivable	(67,280)	(211,405)
Other current assets	10,493	(5,278)
Accounts payable	(83,647)	83,990
Accrued expenses	61,175	(31,389)
Net cash provided by operating activities	<u>92,696</u>	<u>257,802</u>
Cash Flows From Investing Activities		
Purchases of investments	(4,939,034)	(1,836,573)
Proceeds from sales of investments	3,504,408	1,630,106
Purchases of property and equipment	(163,529)	(156,348)
Net cash used in investing activities	<u>(1,598,155)</u>	<u>(362,815)</u>
Cash Flows From Financing Activities		
Change in due to/from affiliate	644,651	(2,192,635)
Transfers from affiliate	634,353	584,018
Net cash provided by (used in) financing activities	<u>1,279,004</u>	<u>(1,608,617)</u>
Net decrease in cash and cash equivalents	(226,455)	(1,713,630)
Cash and Cash Equivalents, Beginning	<u>2,214,158</u>	<u>3,927,788</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,987,703</u>	<u>\$ 2,214,158</u>
Supplemental Disclosure of Noncash Activities		
Operating lease right-of-use assets and lease obligations	<u>\$ 1,881</u>	<u>\$ 6,078</u>

See notes to financial statements

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

1. Basis of Presentation and Nature of Operations

Transplant House (as of September 2022, d/b/a Gift of Life Howie's House) is a not-for-profit controlled entity of Greater Delaware Valley Society of Transplant Surgeons (d/b/a Gift of Life Donor Program) (Gift of Life). It was organized in 2008 for charitable, scientific or educational purposes, including the acquisition of land for the development and operation of a facility to primarily serve families of patients awaiting transplant or receiving follow-up care in the Philadelphia, Pennsylvania region. Transplant House opened its facility in July 2011.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements are prepared based on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Transplant House considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable, Net

Accounts receivable, net are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts.

Pledges Receivable, Net

Pledges receivable, net are primarily unsecured and are receivables from individuals and businesses. Pledges receivable, net and revenues are recorded at the present value of estimated cash flows on the date the unconditional promise to give is made. The discounts on those amounts are computed using assumptions made by management regarding the market return and ultimate collectability of the receivables. Pledges are written off when they are determined to be uncollectible based upon management's assessment of individual accounts.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Realized gains and losses, interest and dividend income and unrealized gains and losses on investments are included in nonoperating income in the accompanying statements of activities and changes in net assets.

Transplant House's investments are comprised of a variety of financial instruments. The fair values reported in the statements of financial position are subject to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

Property and Equipment, Net

Property and equipment, net are recorded at cost. Transplant House capitalizes assets or groups of similar related assets whose aggregate cost is equal to or greater than \$5,000 and whose estimated useful life will be of benefit for more than one year. Depreciation is provided over the estimated useful lives of the depreciable assets using the straight-line method.

Net Assets

Net assets, revenues, gains and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue, gains and other support not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. All donor-imposed restrictions are temporary in nature, and will be met by the passage of time or other events specified by the donor. All revenues restricted by donors as to either timing or purpose of the related expenditures are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished; net assets with donor restrictions are reclassified to net assets without donor restrictions.

Transplant House has net assets with donor restrictions of \$679,423 and \$593,372 as of December 31, 2022 and 2021, respectively. The donor-imposed restrictions are primarily for supporting the Adopt-A-Family Program, which subsidizes the costs of staying at Transplant House.

Room Revenues

Room revenues from operating, managing and maintaining Transplant House facility are recorded at established rates and are recognized as performance obligations are satisfied, in an amount that reflects the consideration that Transplant House expects to be entitled to in exchange for the services performed.

Contributions

Transplant House reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the statements of activities and changes in net assets.

Transplant House recognizes contributions when cash or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right to return - are not recognized until the conditions on which they depend have been met.

Income Taxes

Transplant House is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes under Section 501(a) of the IRC.

Subsequent Events

Transplant House evaluated subsequent events for recognition or disclosure through July 11, 2023, the date the financial statements were available to be issued.

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

3. Property and Equipment, Net

Property and equipment, net consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 148,000	\$ 148,000
Land improvements	393,009	393,009
Building and building components	9,069,920	9,050,570
Building service equipment	2,703,761	2,645,157
Furniture and fixtures	593,956	571,613
Construction-in-progress	101,560	38,328
	<u>13,010,206</u>	<u>12,846,677</u>
Total	13,010,206	12,846,677
Less accumulated depreciation	<u>5,760,979</u>	<u>5,281,603</u>
Property and equipment, net	<u>\$ 7,249,227</u>	<u>\$ 7,565,074</u>

4. Fair Value Measurements and Financial Instruments

Transplant House measures its investments on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to Transplant House for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

The following table presents financial instruments measured at fair value at December 31, 2022 and 2021, by caption on the statements of financial position:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
U.S. government securities	\$ 1,323,571	\$ -	\$ 1,323,571	\$ -
Corporate bonds	1,609,735	-	1,609,735	-
Equity mutual funds:				
Domestic small growth	551,475	551,475	-	-
Domestic large blend	3,239,323	3,239,323	-	-
Foreign large blend	1,046,076	1,046,076	-	-
International fixed income funds	361,988	361,988	-	-
Real assets	492,667	492,667	-	-
	<u>8,624,835</u>	<u>\$ 5,691,529</u>	<u>\$ 2,933,306</u>	<u>\$ -</u>
Total assets in the fair value hierarchy				
Cash and cash equivalents	<u>943,415</u>			
Total investments	<u>\$ 9,568,250</u>			
December 31, 2021				
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
U.S. government securities	\$ 1,247,009	\$ -	\$ 1,247,009	\$ -
Corporate bonds	1,397,962	-	1,397,962	-
Equity mutual funds:				
Domestic small growth	611,452	611,452	-	-
Domestic large blend	2,778,911	2,778,911	-	-
Foreign large blend	1,380,058	1,380,058	-	-
International fixed income funds	850,596	850,596	-	-
Real assets	157,736	157,736	-	-
Global total return fund	947,212	947,212	-	-
	<u>9,370,936</u>	<u>\$ 6,725,965</u>	<u>\$ 2,644,971</u>	<u>\$ -</u>
Total assets in the fair value hierarchy				
Cash and cash equivalents	<u>265,217</u>			
Total investments	<u>\$ 9,636,153</u>			

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Equity mutual funds, international fixed income funds, real assets and the global total return fund: Valued based on estimated quoted market prices of similar securities at year-end and are classified as Level 1.

U.S. government securities and corporate bonds: Valued based on estimated quoted market prices of similar securities at year-end and are classified as Level 2.

5. Pledges Receivable, Net

Transplant House receives pledges from donors to support its programs and operating activities.

Pledges receivable are recorded as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Pledges receivable before unamortized discount	\$ 683,251	\$ 609,006
Less unamortized discount	<u>22,599</u>	<u>15,634</u>
Pledges receivable, net	<u>\$ 660,652</u>	<u>\$ 593,372</u>
Amounts due in:		
Less than one year	\$ 209,995	\$ 245,038
Two to five years	<u>473,256</u>	<u>363,968</u>
Total	<u>\$ 683,251</u>	<u>\$ 609,006</u>

Transplant House used a rate of 2.78% to discount pledges receivable at December 31, 2022 and 2021.

6. Employee Benefit Plan

Gift of Life sponsors a defined contribution 403(b) employee benefit plan covering all eligible employees and certain eligible employees of its affiliates. Transplant House matches up to 5% of each eligible employees' contributions. Transplant House also makes a discretionary contribution of 6% for each eligible employee. Pension expense was \$73,981 and \$59,272 in 2022 and 2021, respectively.

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

7. Related-Party Transactions

At December 31, 2022 and 2021, balances due to Transplant Foundation were \$219,853 and \$159,220, respectively. At December 31, 2022 and 2021, balances due from Transplant Foundation were \$0 and \$584,018, respectively.

There are no formal repayment terms associated with the balances due to Transplant Foundation.

In December 2015, the Board of Directors (the Board) of Gift of Life and Transplant Foundation authorized the establishment of a \$10 million endowment fund (the Fund) by Transplant Foundation for the purpose of funding any future financial shortfalls and to support needed capital projects at Transplant House. Based on the request of the Board, Transplant House is entitled to an annual distribution of up to 5% of the fair value of the Fund. The fair value is determined as of December 31 of each calendar year and calculated by averaging the fair value of the Fund over the preceding 12 quarters or as many quarters that the Fund has been in existence. The Fund was established using Transplant Foundation investments in January 2016. In 2022 and 2021, Transplant House received \$634,353 and \$584,018, respectively, in distributions from the Fund, which is included in transfers from affiliates in the accompanying statements of activities and changes in net assets.

8. Concentration of Credit Risk

Transplant House maintains cash accounts with several financial institutions. These cash accounts are insured by the Federal Deposit Insurance Corporation. Transplant House has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

9. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the statements of financial position date, consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,987,703	\$ 2,214,158
Accounts receivable, net	59,453	2,994
Investments	9,568,250	9,636,153
Current portion of pledges receivable	209,995	245,038
Donor-restricted net assets	<u>(679,423)</u>	<u>(593,372)</u>
Total	<u>\$ 11,145,978</u>	<u>\$ 11,504,971</u>

As part of Transplant House'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. Additionally, during 2023 the Foundation will provide 5% of the average fair value of the Fund over the preceding 12 quarters. As of December 31, 2022, this amount was \$645,067.

Transplant House

Notes to Financial Statements
December 31, 2022 and 2021

10. Functional Expenses

Transplant House provides services to families of transplant patients, in addition to fundraising and other related services. Expenses related to providing these services in 2022 and 2021 are as follows:

	2022			
	Program Services	General and Administrative	Fund Development	Total
Salaries and fringe benefits	\$ 780,375	\$ 95,837	\$ 277,657	\$ 1,153,869
Professional fees	59,193	20,113	-	79,306
Special events and other programs	19,413	-	74,259	93,672
Healthcare professional and community outreach	12,920	-	-	12,920
Travel, meetings and seminars	16,803	-	-	16,803
Insurance	26,124	-	-	26,124
Postage and printing	39,341	214	45,606	85,161
Telephone	5,504	-	2,018	7,522
Building expenses/repairs and maintenance	557,321	-	-	557,321
Leases	4,583	-	-	4,583
Other	60,338	-	19,630	79,968
Room revenue allowance	79,090	-	-	79,090
Supplies	27,709	-	295	28,004
Depreciation	479,376	-	-	479,376
Total	\$ 2,168,090	\$ 116,164	\$ 419,465	\$ 2,703,719

	2021			
	Program Services	General and Administrative	Fund Development	Total
Salaries and fringe benefits	\$ 626,252	\$ 94,142	\$ 246,031	\$ 966,425
Professional fees	64,205	8,750	-	72,955
Special events and other programs	16,536	-	28,481	45,017
Healthcare professional and community outreach	55,361	-	-	55,361
Travel, meetings and seminars	6,815	-	-	6,815
Insurance	24,143	-	-	24,143
Postage and printing	35,880	469	40,288	76,637
Telephone	4,843	-	1,880	6,723
Building expenses/repairs and maintenance	515,686	-	-	515,686
Leases	5,022	-	-	5,022
Other	80,585	-	12,996	93,581
Room revenue allowance	49,602	-	-	49,602
Supplies	27,565	-	700	28,265
Depreciation	505,076	-	-	505,076
Total	\$ 2,017,571	\$ 103,361	\$ 330,376	\$ 2,451,308

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the tables above. Accordingly, costs have been allocated based on actual activity.