REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

LIFECENTER NORTHWEST

December 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
LifeCenter Northwest

Report on the Financial Statements

We have audited the accompanying financial statements of LifeCenter Northwest (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, LifeCenter Northwest adopted Financial Accounting Standards Board (FASB) Accounting Standards Board (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Everett, Washington
April 1, 2020

ASSETS

	December 31, 2019	December 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 18,217,819	$ 14,207,459
Accounts receivable	5,045,644	6,454,962
Medicare receivable	343,063	260,966
Other receivables	35,092	32,971
Short-term investments	201,232	210,056
Prepaid expenses and other current assets	523,045	420,664
Total current assets	24,365,895	21,587,078
PROPERTY AND EQUIPMENT		
Furniture and equipment	1,637,646	1,570,171
Leasehold improvements	1,401,680	1,401,680
	3,039,326	2,971,851
Accumulated depreciation and amortization	(1,873,245)	(1,630,787)
Total property and equipment, net	1,166,081	1,341,064
Long-term investments	2,677,419	2,714,139
Long-term Medicare receivable	468,826	468,826
Other long-term assets	251,245	209,965
Total assets	$ 28,929,466	$ 26,321,072

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 2,048,545	$ 2,072,830
Accrued salaries and related benefits	2,429,670	1,981,950
Accrued medical liabilities	1,388,685	1,222,294
Capital lease obligations, current portion	33,492	31,941
Deferred rent, current portion	27,688	12,263
Deferred tenant improvement allowance, current portion	86,404	86,404
Medicare payable, current portion	-	1,073,629
Total current liabilities	6,014,484	6,481,311
Deferred rent, net of current portion	331,973	359,468
Deferred tenant improvement allowance, net of current portion	403,220	489,625
Capital lease obligations, net of current portion	62,571	96,063
Other liabilities	184,049	142,769
Total liabilities	6,996,297	7,569,236
NET ASSETS		
Without donor restrictions	21,933,169	18,751,836
Total liabilities and net assets	$ 28,929,466	$ 26,321,072

LifeCenter Northwest
Statements of Activities and Changes in Net Assets

	Years Ended December 31,	
	2019	2018
REVENUE AND SUPPORT		
Procurement revenue	$ 42,543,288	$ 39,643,866
Import revenue	799,900	705,500
Contributions	381,533	360,075
Unrealized gain (loss) on investments	86,808	(34,094)
Investment income	197,880	71,759
Research and other revenue	77,404	83,419
Total revenue and support	44,086,813	40,830,525
EXPENSES		
Procurement services and program support	33,539,181	30,002,947
Public education	1,076,841	894,741
Total program services	34,616,022	30,897,688
Management and general	6,289,458	5,169,381
Total expenses	40,905,480	36,067,069
TOTAL CHANGE IN NET ASSETS	3,181,333	4,763,456
NET ASSETS, beginning of year	18,751,836	13,988,380
NET ASSETS, end of year	$ 21,933,169	$ 18,751,836

	Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,181,333	$ 4,763,456
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	262,573	299,882
Unrealized loss (gain) on investments	(86,808)	34,094
Loss on disposal of property and equipment	-	13,892
Changes in operating assets and liabilities		
Accounts receivable and other receivables	1,407,197	(2,820,507)
Medicare receivable and payable	(1,155,726)	2,572,507
Prepaid expenses and other assets	(143,661)	104,151
Accounts payable, accrued liabilities, and other liabilities	631,106	1,000,579
Deferred rent and tenant improvement allowance	(98,475)	(82,856)
Net cash provided by operating activities	3,997,539	5,885,198
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(60,973)	(29,456)
Purchase of investments	(77,648)	(252,299)
Proceeds from sales of investments	210,000	200,000
Net cash provided by (used in) investing activities	71,379	(81,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(58,558)	(47,364)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,010,360	5,756,079
CASH AND CASH EQUIVALENTS, beginning of year	14,207,459	8,451,380
CASH AND CASH EQUIVALENTS, end of year	$ 18,217,819	$ 14,207,459
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment obtained through capital lease financing	$ 26,617	$ 150,986

Note 1 – Organization and Significant Accounting Policies

Organization – LifeCenter Northwest (the Organization), a nonprofit corporation, is the certified organ procurement organization (OPO) for Montana, Alaska, Northern Idaho, and most of Washington that began operations January 1, 1997. It is the mission of the Organization to provide the bridge between the loss of life and the gift of life through organ and tissue donation and transplantation. The Organization is dedicated to promoting organ and tissue donations to benefit the greatest number of people through transplantation.

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

Net assets without donor restrictions – Net assets not subject to donor restrictions, as well as voluntary reserves such as separate components of board-designated net assets.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. As of December 31, 2019 and 2018, the Organization had no net assets subject to donor restrictions.

Contributions with donor–imposed restrictions that are met in the same year as received are reported as revenues within net assets without donor restrictions.

Cash and cash equivalents – The Organization defines cash and cash equivalents to include demand deposits, savings accounts, and investments with an original maturity of three months or less, excluding assets whose use is limited or included in its investment portfolio. The Organization maintains its cash and cash equivalent accounts at financial institutions in amounts, which at times, may exceed federally insured limits.

Accounts receivable, other receivables, and revenue – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASC 606). ASC 606 is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which deferred the effective date of Topic 606 by one year to fiscal years beginning after December 15, 2018.

The Organization adopted ASC 606 effective January 1, 2019, using the modified retrospective method. Under the modified retrospective method, the Organization elected to apply the new revenue recognition model to all contracts as of the date of adoption. The adoption of ASC 606 did not have a significant effect on timing or amount recognized as revenue for the Organization's revenue from organs but it delayed the revenue recognition for tissues that require a chart release. The cumulative effect of initially applying the new guidance was not material and no adjustment was made to net assets as of January 1, 2019.

Note 1 – Organization and Significant Accounting Policies (continued)

Revenue includes fees for human organ and tissue recovery services provided to transplant hospitals, tissue processing and distribution agencies, other organ procurement organizations, and medical research organizations. Revenues are reported as increases in net assets. No interest is charged on organ and tissue related receivables.

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a receiving organ/tissue party,
- Identification of the performance obligations in the contract,
- Determination of the transaction reimbursement,
- Allocation of the transaction reimbursement to the performance obligations in the contract, and
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

The Organization has contracts with receiving organ/tissue parties to furnish organs or tissues to health care organizations for transplantation or for research purposes. As a practical expedient, the Organization has applied a portfolio approach for contracts with similar characteristics as management reasonably expects the effects of applying the portfolio approach would not differ materially from evaluating each individual contract. As part of its assessment of each contract, the Organization evaluates certain factors including the receiving parties ability to pay or credit risk. For each contract, the Organization considers the promise to fulfill the services provided, each of which is distinct, to be the identified performance obligations. For each recovery of organs or tissues, the Organization recognizes revenue at a point in time as a distinct and separate performance obligation.

The Organization has identified one performance obligation for organ revenue which is met upon delivery of the organ. However, there may be two performance obligations for tissue revenue of which one is met upon delivery of the tissue and a second is met upon certification from a medical professional which on average occurs 30 days after delivery. Because a set transaction reimbursement is associated with each performance obligation, revenue is recognized when each distinct performance obligation is met.

As the Organization's standard payment terms are less than one year, the Organization has elected, as a practical expedient, to not assess whether a contract has a significant financing component. The Organization allocates the transaction reimbursement to each distinct organ or tissue based on the amount agreed upon in contracts with receiving parties or approved by the Board of Directors. The reimbursement as specified on the contract is considered the standalone reimbursement as it is an observable source that depicts the reimbursement as if the organ or tissue is provided to a similar receiving party in similar circumstances.

Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization has concluded that none of the costs it has incurred to obtain and fulfill its revenue contracts meet the capitalization criteria, and as such, there are no costs deferred and recognized as assets on the statements of financial position at December 31, 2019 and 2018, respectively.

Note 1 – Organization and Significant Accounting Policies (continued)

Prior to the adoption of Topic 606, the Organization estimated whether an allowance for uncollectible accounts was necessary based upon information from collection attempts and actual payment history of each individual customer. Accounts receivable were written off when all collection attempts have failed. No allowance for doubtful accounts was recorded at December 31, 2018.

Other receivable amounts include contributions made to the Organization and collected by the Department of Licensing and other receivables. There was no allowance for uncollectible amounts at December 31, 2019 and 2018. The Organization has established credit policies and, historically, the losses related to customer nonpayment have been very low as a percentage of revenues. Management regularly monitors its accounts receivable and establishes an allowance for those deemed uncollectible as needed.

Approximately 33% and 54% of the accounts receivable balance at December 31, 2019 and 2018, respectively, was due from two customers. Additionally, approximately 48% and 52% of procurement revenue was from two customers for the years ended December 31, 2019 and 2018, respectively.

Medicare receivable and payable – Medicare receivables and payables are reported at the estimated net realizable value based on cost reports and past experience with the Medicare Administration, and are classified as current or noncurrent based on management’s best estimate of when funds will be received or paid. Medicare revenue is expected to be audited approximately one to three years after year end by a Medicare fiscal intermediary, which may result in adjustments to amounts previously recorded. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by Medicare.

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could materially change. The Medicare receivable and payable is a significant estimate.

Investments – Investments consist of certificates of deposits (CDs) and mutual funds. The CD terms range from one to five years and are reported at fair value. CDs that will mature within one year are classified as short-term investments and all other certificates of deposit are classified as long-term investments. The Organization’s investments in mutual funds are carried at fair value and classified as long-term. Unrealized and realized gains and losses are reflected in the statement of activities and changes in net assets. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Property and equipment – Furniture and equipment, and leasehold improvements are stated at cost. The Organization capitalizes all fixed assets with a total cost greater than $5,000. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of three to twenty years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

Depreciation and amortization expense during 2019 and 2018, totaled $262,573 and $299,882, respectively.

Note 1 – Organization and Significant Accounting Policies (continued)

Deferred rent – Deferred rent consists of the liability for office rent due to the cumulative difference between the total lease payments through December 31, 2019, based on the terms of the lease agreement, and what the expense would be based on a straight-line basis over the life of the lease. See Note 7 for a schedule of future required lease payments.

Deferred tenant improvement allowance – Deferred tenant improvement allowance represents amounts paid by the landlord for tenant improvements in association with an operating lease for office space. The deferred tenant improvement allowance is amortized over the ten years and eight months' life of the lease, effective January 1, 2015 (see Note 7).

Procurement and import revenue – Procurement and import revenue consists of fees charged to medical facilities and other OPOs for costs incurred in the procurement of organs and tissues. The revenue is recognized after the procurement services have been completed and the organ or tissue has been accepted by the receiving facility.

Contributions – The Organization records contributions according to accounting principles generally accepted in the United States of America (U.S. GAAP) for contributions received and contributions made. Accordingly, contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received.

Federal income taxes – The IRS has determined the Organization is exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Accordingly, no provision for income taxes has been made in these financial statements. The Organization adopted accounting for uncertain tax positions. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. As of December 31, 2019 and 2018, the Organization had no uncertain tax positions requiring accrual.

Use of estimates – The preparation of financial statements in accordance with U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Organization and Significant Accounting Policies (continued)

Accrued medical liabilities totaling $1,388,685 and $1,222,294 as of December 31, 2019 and 2018, respectively, have been recorded based on management's estimates of actual costs incurred for which invoices had not been received. While costs based on actual vendor invoices may differ from the estimates, management believes that any differences would not have a material impact on the Organization’s financial position. Due to uncertainties in the estimation process, however, it is at least reasonably possible that management's estimate of accrued medical liabilities will change during the following year. That amount, if any, cannot be estimated.

New accounting pronouncements – In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU, among other things, requires equity securities classified as other than trading to be measured at fair value with changes in fair value recognized in total revenue and support. The Organization has implemented this ASU for the year beginning January 1, 2019.

Subsequent events – Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements are available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Given the dynamic nature of these circumstances, it is too early to determine the effect these changes will have on the business in the short term. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, we cannot estimate the impact to the financial statements.

The Organization has evaluated subsequent events through April 1, 2020, which is the date the financial statements are available to be issued.

Note 2 – Investments

Investments are comprised of the following at December 31:

	2019	2018
Certificates of deposit - short-term	$ 201,232	$ 210,056
Certificates of deposit - long-term	410,393	589,814
Mutual funds	2,267,026	2,124,325
	$ 2,878,651	$ 2,924,195

Investment return is comprised of the following for the years ended December 31:

	2019	2018
Interest and dividends	$ 197,880	$ 71,759
Unrealized gain (loss)	86,808	(34,094)
	$ 284,688	$ 37,665

Note 3 – Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 3 – Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Certificates of deposit – Valued at fair value based on quoted market prices for similar investments.

Mutual funds – Valued at fair value based on quoted market prices for similar investments.

Fair values measured on a recurring basis – Fair values of assets and liabilities measured on a recurring basis at December 31 were as follows:

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 611,625	$ -	$ 611,625
Mutual funds	2,267,026	-	-	2,267,026
Investments at fair value	$ 2,267,026	$ 611,625	$ -	$ 2,878,651

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 799,870	$ -	$ 799,870
Mutual funds	2,124,325	-	-	2,124,325
Investments at fair value	$ 2,124,325	$ 799,870	$ -	$ 2,924,195

Note 4 – Medicare Receivable and Payable

	2019	2018
Current receivable		
Due from Medicare - 2019 cost report	$ 343,063	$ -
Due from Medicare - 2015 cost report	-	260,966
Noncurrent receivable		
Due from Medicare - 2017 cost report (net)	49,350	49,350
Due from Medicare - 2016 cost report (net)	419,476	419,476
Current liability		
Due to Medicare - payable for 2018 cost report	-	1,021,103
Due to Medicare - payable for 2013 cost report	-	52,526

As of December 31, 2019, Medicare audits have not been performed for years 2016 through 2019.

Note 5 – Liquidity and Availability

The Organization has approximately $26,520,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of $18,419,000, receivables of $5,424,000, and short and long-term investments of $2,677,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The receivables are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash and short term investments, on hand to meet at least 150 days of normal operating expenses, which are, on average, approximately $113,000 per day.

The Organization has a policy to invest cash consistent with the preservation of capital and minimization of investment risk. As part of its liquidity management, the Organization invests cash in excess of daily requirements in certificate of deposits.

Note 6 – Qualified Employee Benefit Plan

The Organization sponsors a 403(b) qualified retirement benefit plan (the Plan). All employees may make elective deferrals under the Plan. After completing one year of service, employees are eligible for employer matching contributions in amounts determined by the Plan document that is approved by the Board of Directors. The Organization recognized expenses of $650,007 and $636,736 related to matching contributions to the Plan during the years ended December 31, 2019 and 2018, respectively.

The Organization also maintains a nonqualified deferred compensation plan covered under Section 457(b) of the Internal Revenue Code. Only employees specifically designated by the Governing Board are eligible. The maximum salary deferral under the 457(b) plan for the years ended December 31, 2019 and 2018, was $19,000 and $18,500, respectively. There are no matching provisions. The nonqualified deferred compensation plan is administered by the Organization. As of December 31, 2019 and 2018, there was one participant in the 457(b) plan. Total assets in the plan were $184,049 and $142,769 as of December 31, 2019 and 2018, respectively, which has been included in other long-term assets with an offsetting amount in other liabilities. Assets in the plan are held by the Organization on a non-trust basis and are subject to the claims of its creditors.

Note 7 – Commitments and Contingencies

At December 31, 2019, the Organization had a number of noncancelable operating leases for office spaces and a surgical recovery suite, which expire through 2025. Rental expenses for these leases totaled $757,611 and $773,947 for the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2014, the Organization signed an operating lease for a new office space that was effective January 1, 2015. The lease is a ten year and eight-month lease that expires on August 31, 2025. The lease agreement included a total leasehold improvement allowance of $921,647. The leasehold improvements are amortized beginning January 1, 2015, over the term of the lease period and will offset rent expense. Future lease payments are escalated over the life of the lease and are included in the minimum lease payments schedule.

Future minimum lease payments under these leases are as follows:

2020	$ 629,291
2021	570,607
2022	518,742
2023	520,532
2024	535,841
Thereafter	367,433
	$ 3,142,446

During the year ending December 31, 2018, the Organization recorded a capital lease for equipment that goes through September 30, 2022. The capital lease requires monthly payments of interest and principal totaling $3,111.

Future minimum lease payments under this lease are as follows:

2020	$ 37,332
2021	37,332
2022	27,999
Net minimum lease payments	102,663
Amount representing interest	(6,600)
Present value of net minimum lease payments	$ 96,063

As of December 31, 2019 and 2018, the capital lease included in property and equipment totaled $150,986 and has accumulated amortization of $54,923 and $22,648, respectively.

The Organization has elected to be self-insured for unemployment compensation. The costs of claims under this program are expensed as claims arise. Management has not accrued a provision for incurred-but-not-reported claims as it has been deemed to not be material.

Note 7 – Commitments and Contingencies (continued)

In the normal course of business, the Organization is sometimes involved in litigation, including matters that may have existed at December 31, 2019. At December 31, 2019, management is not aware of any such matters. The Organization maintains professional liability insurance coverage through a “claims made” policy. Should the “claims made” policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured.

Note 8 – Functional Expenses

The Organization provides procurement services and public education within its designated service area. Expenses related to providing these services by functional class for the years ended December 31, 2019 and 2018, are as follows:

	Total Procurement Services	Program Support	Public Education	Management and General	Total
2019					
Salaries and benefits	$ 11,150,013	$ 2,203,417	$ 732,671	$ 4,736,746	$ 18,822,847
Donor services and supplies	17,544,676	8,499	11,700	3,840	17,568,715
Administrative	828,965	185,085	152,899	294,121	1,461,070
Occupancy	501,844	118,854	29,895	140,050	790,643
Travel and mileage	399,894	195,805	36,517	109,271	741,487
Professional fees	26,950	(370)	46,095	656,136	728,811
Staff development	131,737	49,434	55,075	293,089	529,335
Depreciation and amortization	161,387	32,991	11,989	56,205	262,572
	$ 30,745,466	$ 2,793,715	$ 1,076,841	$ 6,289,458	$ 40,905,480

	Total Procurement Services	Program Support	Public Education	Management and General	Total
2018					
Salaries and benefits	$ 10,402,106	$ 2,086,561	$ 603,792	$ 4,139,535	$ 17,231,994
Donor services and supplies	15,226,521	9,287	5,781	5,120	15,246,709
Staff development	74,372	29,298	46,500	158,409	308,579
Professional fees	14,693	-	29,096	341,591	385,380
Administrative	679,313	172,900	138,641	251,944	1,242,798
Occupancy	507,740	126,937	27,257	143,198	805,132
Travel and mileage	299,929	149,687	31,476	65,503	546,595
Depreciation and amortization	179,830	43,773	12,198	64,081	299,882
	$ 27,384,504	$ 2,618,443	$ 894,741	$ 5,169,381	$ 36,067,069

Note 8 – Functional Expenses (continued)

Procurement services represents the coordination of the entire organ and tissue recovery process, including working with potential donor families and donor hospitals, evaluating donors, transportation of Organization staff and organs, assisting with the placement of organs, arranging for transportation of recovered tissue to nationally recognized tissue banks, and coordinating hospital facilities during organ recovery and placement.

Program support represents costs incurred to provide ongoing education to the Organization's partner hospitals to ensure that they recognize and refer potential donors.

Public education represents costs incurred to expand public awareness of organ and tissue donation.

Management and general encompass the expenditures associated with the leadership and articulation of the Organization's program strategy, as well as the functions necessary to support operations including accounting, finance, human resources, quality, and information technology.

Most expenses are recorded directly within each functional category. Some miscellaneous expenses are allocated across functional areas based on FTE counts.

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