

IOWA DONOR NETWORK
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

**IOWA DONOR NETWORK
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YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Iowa Donor Network
North Liberty, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Donor Network (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Iowa Donor Network as of December 31, 2015, 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.

Other Matter

The 2014 financial statements of Iowa Donor Network were audited by other auditors whose report dated May 7, 2015 expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted a recently issued accounting standard related to the accounting of debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2015 financial statements as a whole. The 2015 schedule of organ and tissue revenue and direct costs is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The 2014 schedule of organ and tissue revenue and direct costs was subjected to the auditing procedures applied in the 2014 audit of the basic financial statements by other auditors, whose report on such information stated it was fairly stated in all material respects in relation to the 2014 financial statements as a whole.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
May 9, 2016

**IOWA DONOR NETWORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,894,227	\$ 5,034,192
Cash Limited to Use	-	985,386
Accounts Receivable, Net of Estimated Deferred Cases of \$131,317 in 2015 and \$283,045 in 2014	3,771,776	4,452,250
Medicare Receivable, Net of Allowance for Contractual Adjustments of \$389,436 in 2015 and \$120,000 in 2014	1,282,625	977,004
Pledges and Other Receivables	169,627	116,010
Inventory	22,710	-
Prepaid Expenses	279,812	341,841
Total Current Assets	10,420,777	11,906,683
 PROPERTY AND EQUIPMENT, NET	 8,614,543	 8,263,753
 OTHER ASSETS		
Interest in Net Assets of AlloSource	5,354,258	4,902,113
Total Assets	\$ 24,389,578	\$ 25,072,549

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 1,474,403	\$ 1,993,242
Accrued Expenses and Other Liabilities	1,119,358	1,448,697
Current Maturities of Long-Term Debt	224,671	109,521
Total Current Liabilities	<u>2,818,432</u>	<u>3,551,460</u>
LONG-TERM DEBT	<u>5,611,192</u>	<u>5,833,742</u>
Total Liabilities	8,429,624	9,385,202
NET ASSETS		
Unrestricted:		
Board Designated, Operating Reserve	5,100,865	5,096,416
Board Designated, Capital Projects	815,372	934,707
Board Designated, Net Interest in AlloSource	5,354,258	4,902,113
Board Designated, Property and Equipment	2,778,680	2,320,490
Operations	1,908,279	2,128,541
Total Unrestricted Net Assets	<u>15,957,454</u>	<u>15,382,267</u>
Temporarily Restricted	2,500	305,080
Total Net Assets	<u>15,959,954</u>	<u>15,687,347</u>
Total Liabilities and Net Assets	<u>\$ 24,389,578</u>	<u>\$ 25,072,549</u>

**IOWA DONOR NETWORK
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Revenues:		
Organ Recovery Services	\$ 10,626,292	\$ 11,284,848
Tissue Recovery Services	<u>8,801,136</u>	<u>9,150,725</u>
Total Unrestricted Revenues	19,427,428	20,435,573
EXPENSES		
Program Services Expenses:		
Organ and Tissue Recovery	14,769,135	15,360,592
Hospital Development, Public Education, and Donor Family Services	2,115,604	2,025,625
Management and General	<u>3,584,065</u>	<u>3,077,221</u>
Total Operating Expenses	<u>20,468,804</u>	<u>20,463,438</u>
OPERATING LOSS	(1,041,376)	(27,865)
NONOPERATING INCOME (EXPENSE)		
Contributions	683,454	781,308
Grants	265,124	219,448
Interest Income	9,530	10,968
Miscellaneous Income	135,768	149,708
Rent Income	18,000	-
Change in Interest in Net Assets of AlloSource	452,145	106,773
Fundraising Expense	(66,910)	(81,897)
Interest Expense	(183,128)	(123,464)
Net Assets Released from Restrictions	<u>302,580</u>	<u>17,333</u>
Total Nonoperating Income (Expense)	<u>1,616,563</u>	<u>1,080,177</u>
INCREASE IN UNRESTRICTED NET ASSETS	575,187	1,052,312
TEMPORARILY RESTRICTED NET ASSETS		
Grants	-	302,580
Net Assets Released from Restrictions	<u>(302,580)</u>	<u>(17,333)</u>
Increase (Decrease) in Total Temporarily Restricted Net Assets	(302,580)	285,247
CHANGE IN NET ASSETS	272,607	1,337,559
Net Assets - Beginning of Year	<u>15,687,347</u>	<u>14,349,788</u>
NET ASSETS - ENDING OF YEAR	<u>\$ 15,959,954</u>	<u>\$ 15,687,347</u>

See accompanying Notes to Financial Statements.

**IOWA DONOR NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services			Supporting Services			Total Expenses
	Organ and Tissue Recovery	Hospital Development, Public Education, and Donor Family Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
EXPENSES							
Direct Recovery Costs	\$ 5,246,985	\$ -	\$ 5,246,985	\$ -	\$ -	\$ -	\$ 5,246,985
Wages	5,956,193	1,193,298	7,149,491	1,829,818	50,510	1,880,328	9,029,819
Payroll Costs	473,594	94,884	568,478	145,495	4,016	149,511	717,989
Employee Benefits	1,119,511	224,289	1,343,800	353,422	6,534	359,956	1,703,756
Employee Education	37,776	11,094	48,870	31,281	-	31,281	80,151
Indirect Procurement Costs	462,553	-	462,553	-	-	-	462,553
Medical Director	38,929	-	38,929	-	-	-	38,929
Contract Services	179,678	146,144	325,822	245,778	-	245,778	571,600
Special Projects	75	56,056	56,131	41,646	-	41,646	97,777
Promotional Materials and Booth Fees	-	98,612	98,612	-	-	-	98,612
Brochures and Newsletters	-	65,232	65,232	-	-	-	65,232
Public Relations	-	-	-	416,466	-	416,466	416,466
Rent	84,510	25,875	110,385	24,127	1,044	25,171	135,556
Utilities and Maintenance	157,005	21,225	178,230	38,566	481	39,047	217,277
Insurance and Property Taxes	173,111	19,006	192,117	35,411	760	36,171	228,288
Interest	145,489	24,155	169,644	13,479	5	13,484	183,128
Office Expense and Supplies	264,409	46,678	311,087	61,675	1,028	62,703	373,790
Communications	134,388	28,095	162,483	52,347	1,123	53,470	215,953
Dues and Subscriptions	18,149	10,335	28,484	27,031	-	27,031	55,515
Vehicle Expense	83,657	6,951	90,608	12,952	278	13,230	103,838
Travel	39,744	26,847	66,591	98,993	139	99,132	165,723
Legal and Professional	-	-	-	77,843	-	77,843	77,843
Charitable Contributions	-	-	-	1,000	-	1,000	1,000
Other	35,797	10,092	45,889	12,846	267	13,113	59,002
Total Expenses Before Depreciation	<u>14,651,553</u>	<u>2,108,868</u>	<u>16,760,421</u>	<u>3,520,176</u>	<u>66,185</u>	<u>3,586,361</u>	<u>20,346,782</u>
Loss on Asset Disposal	17,032	-	17,032	10,850	-	10,850	27,882
Depreciation	<u>246,039</u>	<u>30,891</u>	<u>276,930</u>	<u>66,518</u>	<u>730</u>	<u>67,248</u>	<u>344,178</u>
Total Expenses	<u>\$ 14,914,624</u>	<u>\$ 2,139,759</u>	<u>\$ 17,054,383</u>	<u>\$ 3,597,544</u>	<u>\$ 66,915</u>	<u>\$ 3,664,459</u>	<u>\$ 20,718,842</u>

See accompanying Notes to Financial Statements.

**IOWA DONOR NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	Program Services			Supporting Services			
	Organ and Tissue Recovery	Hospital Development, Public Education, and Donor Family Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
EXPENSES							
Direct Recovery Costs	\$ 6,421,112	\$ -	\$ 6,421,112	\$ -	\$ -	\$ -	\$ 6,421,112
Wages	5,789,914	1,104,064	6,893,978	1,539,956	61,114	1,601,070	8,495,048
Payroll Costs	473,887	90,364	564,251	126,041	5,002	131,043	695,294
Employee Benefits	1,041,324	198,567	1,239,891	287,955	6,777	294,732	1,534,623
Employee Education	26,708	9,115	35,823	19,493	320	19,813	55,636
Indirect Procurement Costs	458,526	-	458,526	-	-	-	458,526
Medical Director	37,791	-	37,791	-	-	-	37,791
Contract Services	82,638	135,795	218,433	253,932	-	253,932	472,365
Special Projects	-	128,049	128,049	37,223	24	37,247	165,296
Promotional Materials and Booth Fees	-	51,727	51,727	-	-	-	51,727
Brochures and Newsletters	-	71,521	71,521	-	-	-	71,521
Public Relations	-	68,390	68,390	392,387	-	392,387	460,777
Rent	262,404	32,670	295,074	47,908	1,068	48,976	344,050
Utilities and Maintenance	93,186	6,405	99,591	21,677	360	22,037	121,628
Insurance and Property Taxes	162,890	14,307	177,197	26,855	747	27,602	204,799
Interest	100,755	12,887	113,642	9,769	53	9,822	123,464
Office Expense and Supplies	103,340	19,658	122,998	23,601	3,201	26,802	149,800
Communications	124,156	24,331	148,487	45,672	1,270	46,942	195,429
Dues and Subscriptions	21,836	7,052	28,888	25,295	22	25,317	54,205
Vehicle Expense	87,712	5,567	93,279	10,450	291	10,741	104,020
Travel	38,962	35,575	74,537	96,329	996	97,325	171,862
Legal and Professional	-	-	-	82,537	-	82,537	82,537
Charitable Contributions	-	-	-	100	-	100	100
Other	33,409	8,713	42,122	11,286	314	11,600	53,722
Total Expenses Before Depreciation	15,360,550	2,024,757	17,385,307	3,058,466	81,559	3,140,025	20,525,332
Depreciation	100,797	13,755	114,552	28,524	391	28,915	143,467
Total Expenses	<u>\$ 15,461,347</u>	<u>\$ 2,038,512</u>	<u>\$ 17,499,859</u>	<u>\$ 3,086,990</u>	<u>\$ 81,950</u>	<u>\$ 3,168,940</u>	<u>\$ 20,668,799</u>

See accompanying Notes to Financial Statements.

**IOWA DONOR NETWORK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 272,607	\$ 1,337,559
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	344,178	143,467
Amortization of Bond Issuance Costs	2,121	1,261
Gain (Loss) on Sale of Property and Equipment	27,882	(4,298)
Change in Net Assets of AlloSource	(452,145)	(106,773)
Effects of Changes in Operating Assets and Liabilities:		
Receivables	321,237	516,691
Inventory	(22,710)	-
Prepaid Expenses	62,029	(231,577)
Accounts Payable	(665,676)	329,288
Accrued Expenses	(329,339)	235,862
Net Cash Provided (Used) by Operating Activities	<u>(439,816)</u>	<u>2,221,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Limited to Use	985,386	(985,386)
Purchases of Property and Equipment	(580,629)	(1,143,513)
Proceeds from Sale of Property and Equipment	4,615	6,172
Net Cash Provided (Used) by Investing Activities	<u>409,372</u>	<u>(2,122,727)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	982,031
Payments on Long-Term Debt	(109,521)	(719,706)
Bond Issuance Costs	-	(44,396)
Net Cash Provided (Used) by Financing Activities	<u>(109,521)</u>	<u>217,929</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,965)	316,682
Cash and Cash Equivalents - Beginning of Year	<u>5,034,192</u>	<u>4,717,510</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,894,227</u>	<u>\$ 5,034,192</u>
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	<u>\$ 180,791</u>	<u>\$ 109,922</u>
Noncash Purchases of Property and Equipment	<u>\$ 146,837</u>	<u>\$ 5,004,469</u>

See accompanying Notes to Financial Statements.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

The Iowa Donor Network (the Organization) was incorporated on November 12, 1993, in the state of Iowa to act as an organ procurement organization serving Iowa hospitals. The Organization is dedicated to maximizing the recovery of transplantable organs and tissues by serving donor families, potential donors and candidates for transplantation, through the identification of potential donors, and supporting and respecting donation decisions. The Organization's fiscal year ends on December 31. Significant accounting policies followed by the Organization are presented below.

Description of Programs

The Organization operates the following programs:

Organ and Tissue Recovery

The Organization provides a system for the procurement of organs and tissues.

Hospital Development, Public Education, and Donor Family Services

The Organization establishes communications with hospitals and other health care entities to increase the number of available organs and tissues by actively participating with and assisting medical staffs in their organ and tissue procurement efforts. Efforts are also made to increase public awareness of the opportunity for organ and tissue donation. Donor family services provides a follow-up program with each donor family and assists in meeting their unique, on-going needs.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are recorded at cost plus accrued interest, which approximates market, and have original maturities of three months or less at the date of purchase.

Cash Limited to Use

Cash limited to use represents unspent bond proceeds which will be utilized within the next year.

Support and Revenue

Revenue is recognized when the hospital that will be performing the transplant officially accepts custody of the organ or when the processor that will be distributing the tissue completes donor screening.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. Conditional contributions are not recorded until all conditions have been satisfied, at which time they are recognized as support.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an allowance for deferred tissue cases. The allowance account reflects the estimated amount of tissue cases that may not have been cleared at year-end. Until the cases are cleared, there is a potential that they will be deferred or found to be not suitable for processing. The allowance is based on historical percentages of tissue cases that were deferred. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Medicare Receivable

The Organization earns revenue under payment and reimbursement agreements with Medicare. Such reimbursements are subject to audit or desk reviews by the administering agencies. The Organization is reimbursed for allowable expenditures at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits or desk reviews thereof by Medicare.

The Organization records Medicare receivables or payables at year-end based on completion of the annual cost report and management's best estimates. The carrying amount of the Medicare receivable is reduced by a valuation allowance that reflects management's best estimate of contractual adjustments. Actual results could differ materially from these estimates. Adjustments as a result of final audits or desk reviews are recorded in the period the adjustments are known.

Property and Equipment

Property and equipment are recorded at cost. The Organization's building and equipment are depreciated using the straight-line method over the estimated useful lives of the building and equipment, which range from three to forty years. Leasehold improvements are depreciated on the straight-line method over the term of the lease. The Organization has adopted a policy to capitalize property and equipment acquisitions of items costing greater than \$5,000, with an expected useful life of two or more years.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Interest in Net Assets of AlloSource

The Organization recognizes its interest in the net assets of AlloSource as an asset and annually adjusts that interest for its share of the change in AlloSource's net assets.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted Net Assets

Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted Net Assets

Permanently restricted net assets include contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets at December 31, 2015 and 2014.

Board Designated Net Assets

The operating reserve represents assets set aside by the Board of Directors to assure continued funding of the Organization's operations.

The capital projects reserve represents assets set aside by the Board of Directors to designate funds toward future capital expansions.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred.

Functional Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is a private foundation.

The Organization files information returns in the U.S. federal jurisdiction. The Organization follows the standard for evaluating uncertain tax positions and has determined that it was not required to record a liability related to uncertain tax positions.

Change in Accounting Principle

The Organization has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835:30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by \$43,237 as of January 1, 2015. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied. The Organization has elected to adopt this change in accounting principle as of January 1, 2015, prior to its effective date.

NOTE 2 INTEREST IN NET ASSETS OF ALLOSOURCE

The Organization is a corporate member of AlloSource, a nonprofit corporation whose members use it as their primary vehicle to pursue the processing, distribution, quality assurance, and research product development of recovered tissue.

AlloSource reimburses its corporate members for recovery costs associated with skin, and cardiovascular and musculoskeletal tissue provided to AlloSource according to a standardized fee schedule.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 INTEREST IN NET ASSETS OF ALLOSOURCE (CONTINUED)

Summarized financial information for AlloSource as of and for the years ended December 31 is presented below:

	<u>2015</u>	<u>2014</u>
Assets	\$ 136,662,648	\$ 116,370,442
Liabilities	60,173,242	46,341,534
Net Assets	<u>\$ 76,489,406</u>	<u>\$ 70,028,908</u>
Unrestricted Revenues	\$ 180,563,525	\$ 167,165,855
Expenses	<u>168,900,370</u>	<u>160,006,609</u>
Operating Income	11,663,155	7,159,246
Nonoperating Income	<u>1,487,343</u>	<u>690,483</u>
Change in Net Assets Before		
Contributions to Members	13,150,498	7,849,729
Contributions to Members	<u>(6,690,000)</u>	<u>(6,325,685)</u>
Increase in Net Assets	<u>\$ 6,460,498</u>	<u>\$ 1,524,044</u>

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Land and Improvements	\$ 1,056,048	\$ 838,814
Buildings and Improvements	7,179,867	1,926,255
Leasehold Improvements	-	87,170
Equipment	1,610,299	868,401
Construction in Progress	-	<u>5,607,749</u>
Total	<u>9,846,214</u>	<u>9,328,389</u>
Less: Accumulated Depreciation	<u>(1,231,671)</u>	<u>(1,064,636)</u>
Net Property and Equipment	<u>\$ 8,614,543</u>	<u>\$ 8,263,753</u>

NOTE 4 LONG-TERM DEBT

Line of Credit

The Organization has available a \$1,000,000 bank line of credit which expires July 15, 2016. There were no amounts outstanding under this line of credit as of December 31, 2015 and 2014. All borrowings will be collateralized by all accounts of the Organization.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Note Payable to Bank

	2015	2014
Nonprofit facility revenue bond issued by Polk County, Iowa, payable to MidWestOne Bank, requiring interest only payments through June 2015, then monthly installments of \$33,033, including interest at 2.99% per year, with final payment due in June 2035, secured by substantially all assets of the Organization. The bond is subject to an interest rate reset every five years beginning June 1, 2020.	\$ 5,876,979	\$ 5,986,500
Less: Unamortized Debt Issuance Costs	(41,116)	(43,237)
Total, Net of Unamortized Debt Issuance Costs	5,835,863	5,943,263
Less: Current Portion	(224,671)	(109,521)
Long-Term Portion	\$ 5,611,192	\$ 5,833,742

Maturities of long-term debt as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 224,671
2017	231,479
2018	238,594
2019	245,929
2020	253,073
Thereafter	4,683,233
Total	\$ 5,876,979

NOTE 5 NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	2015	2014
Memorial Garden	\$ 2,500	\$ 25,260
Campaign to Zero	-	279,820
Total	\$ 2,500	\$ 305,080

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash

The Organization maintains cash balances in one commercial bank. During the course of the year, the Organization's deposits at the bank exceed the maximum amount insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2015, the Organization had \$5,079,310 deposited in one bank. This amount includes \$4,894,841 that is subject to a security repurchase agreement with Midwest One Bank. The transactions entered into under the security repurchase agreement are not insured by the FDIC, however, are collateralized by fixed income securities with fair values totaling \$10,295,000. The Organization's fractional interest in these securities equals \$4,894,841.

Revenue

Revenue for the years ended December 31, 2015 and 2014 include amounts from the following major sources, together with the receivables due from those sources at December 31:

	2015		2014	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable
University of Iowa Hospitals And Clinics	\$ 3,569,055	\$ 272,494	\$ 4,306,095	\$ 339,300
AlloSource	5,763,149	2,269,893	5,146,492	1,896,278
Life Cell	2,035,806	388,982	3,404,163	1,400,214

NOTE 7 LEASES

The Organization is leasing a phone system under a lease that qualifies as a capital lease. The lease expires in August 2017 and requires twenty-one monthly payments of \$5,565. The total liability of \$146,837 is included in accounts payable at December 31, 2015.

The Organization leases vehicles and equipment under noncancellable operating leases. The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancellable terms in excess of one year:

Year Ending December 31,	Amount
2016	\$ 129,436
2017	128,871
2018	71,662
2019	4,255
Total	<u>\$ 334,224</u>

In addition to the minimum rentals, certain leases require the Organization to pay all repairs, taxes, and insurance.

Total lease expense for the years ended December 31, 2015 and 2014 was \$144,322 and \$347,982, respectively.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 PENSION PLAN

The Organization has a 401(k) retirement plan covering substantially all of its employees. Participants in the plan may contribute a percentage of their compensation, but not in excess of the maximum allowed under the IRC. Safe harbor matching contributions as well as annual discretionary contributions are made at the discretion of the Board of Directors. Total expense for the years ended December 31, 2015 and 2014 was \$672,230 and \$610,604, respectively.

NOTE 9 RELATED PARTY ACTIVITY

The Organization has dealings with several related parties, primarily entities whose ownership or employees include various members of the Organization's Board of Directors. When such relationships exist, the Directors of the Organization abstain from voting on matters that may impact the entities they are affiliated with. The Organization has revenues of \$5,396,400 and \$6,949,960, respectively, from related party entities.

NOTE 10 CONTINGENCIES

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization may become subject to similar regulatory review, management believes that the outcome of such regulatory review will not have a material adverse effect on the Organization's financial statements.

NOTE 11 RECLASSIFICATIONS

Certain amounts included in prior year financial statements have been reclassified with no effect on change in net assets or net assets to conform to the current presentation.

**IOWA DONOR NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through May 9, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to May 9, 2016, that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, but arose before the financial statements were available to be issued, have been recognized in the financial statements for the year ended December 31, 2015.

IOWA DONOR NETWORK
SCHEDULE OF ORGAN AND TISSUE REVENUE AND DIRECT COSTS
YEAR ENDED DECEMBER 31, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Kidney</u>	<u>Liver</u>	<u>Heart</u>	<u>Pancreas</u>	<u>Lung</u>	<u>Other</u>	<u>Tissue</u>	<u>Total</u>
Revenue:								
Acquisition Charge	\$ 3,843,000	\$ 1,440,000	\$ 755,000	\$ 497,000	\$ 746,000	\$ 66,300	\$ 8,575,315	\$ 15,922,615
Research and Other	-	2,500	-	-	10,400	-	225,821	238,721
Imports	1,998,000	19,200	33,600	44,200	9,600	-	-	2,104,600
Contractual Adjustments	1,161,492	-	-	-	-	-	-	1,161,492
Total Revenue	<u>7,002,492</u>	<u>1,461,700</u>	<u>788,600</u>	<u>541,200</u>	<u>766,000</u>	<u>66,300</u>	<u>8,801,136</u>	<u>19,427,428</u>
Direct Recovery Costs:								
Operating Room	235,500	89,327	40,186	28,152	35,397	3,398	38,966	470,926
Anesthesia	30,601	13,725	5,277	4,269	6,352	418	-	60,642
Respiratory Therapy	20,312	8,139	3,964	2,922	3,818	400	-	39,555
Intensive Care	87,121	38,573	16,462	14,440	12,934	1,834	-	171,364
Pharmacy	18,262	6,339	17,761	4,073	3,654	605	-	50,694
Medical Supplies	144,912	4,444	3,827	2,563	2,553	244	643,485	802,028
Laboratory	70,423	52,895	23,295	19,495	17,890	1,282	-	185,280
Donor Evaluations	65,605	36,654	69,709	4,471	30,294	635	613,719	821,087
Surgeon	65,000	-	-	2,500	-	-	-	67,500
Tissue Typing	64,996	-	-	20,331	-	-	-	85,327
Funeral Home Costs	-	-	-	-	-	-	4,988	4,988
Transportation	125,919	61,028	25,009	23,319	38,133	733	29,738	303,879
Case Rate Charges	201,303	79,052	39,987	34,327	19,398	2,933	-	377,000
Import Costs	1,767,315	-	-	39,400	-	-	-	1,806,715
Total Direct Costs	<u>2,897,269</u>	<u>390,176</u>	<u>245,477</u>	<u>200,262</u>	<u>170,423</u>	<u>12,482</u>	<u>1,330,896</u>	<u>5,246,985</u>
Operating Income	<u>\$ 4,105,223</u>	<u>\$ 1,071,524</u>	<u>\$ 543,123</u>	<u>\$ 340,938</u>	<u>\$ 595,577</u>	<u>\$ 53,818</u>	<u>\$ 7,470,240</u>	<u>\$ 14,180,443</u>

IOWA DONOR NETWORK
SCHEDULE OF ORGAN AND TISSUE REVENUE AND DIRECT COSTS
YEAR ENDED DECEMBER 31, 2014
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Kidney</u>	<u>Liver</u>	<u>Heart</u>	<u>Pancreas</u>	<u>Lung</u>	<u>Other</u>	<u>Tissue</u>	<u>Total</u>
Revenue:								
Acquisition Charge	\$ 3,555,000	\$ 1,618,200	\$ 449,500	\$ 483,500	\$ 472,000	\$ 88,400	\$ 8,867,556	\$ 15,534,156
Research and Other	-	7,000	-	-	12,400	-	283,169	302,569
Imports	2,808,000	220,600	282,103	150,040	133,280	-	-	3,594,023
Contractual Adjustments	1,004,825	-	-	-	-	-	-	1,004,825
Total Revenue	<u>7,367,825</u>	<u>1,845,800</u>	<u>731,603</u>	<u>633,540</u>	<u>617,680</u>	<u>88,400</u>	<u>9,150,725</u>	<u>20,435,573</u>
Direct Recovery Costs:								
Operating Room	241,012	113,556	21,894	26,532	21,508	10,271	39,517	474,290
Anesthesia	37,788	19,497	4,500	4,292	4,379	1,159	-	71,615
Respiratory Therapy	14,011	6,264	1,501	1,647	3,054	561	-	27,038
Intensive Care	71,681	32,694	8,062	7,524	6,225	3,318	-	129,504
Pharmacy	16,853	6,937	16,817	3,134	1,371	553	-	45,665
Medical Supplies	157,942	4,340	3,383	2,517	1,631	1,047	601,000	771,860
Laboratory	72,958	48,300	23,236	12,896	15,368	2,716	-	175,474
Donor Evaluations	67,215	34,555	38,237	4,155	26,027	1,567	653,074	824,830
Surgeon	59,000	-	-	-	-	-	-	59,000
Tissue Typing	57,144	-	-	14,350	-	-	-	71,494
Funeral Home Costs	-	-	-	-	-	225	4,145	4,370
Transportation	123,156	98,992	37,340	8,188	29,286	1,880	27,127	325,969
Case Rate Charges	224,140	98,120	22,053	25,053	10,233	-	-	379,599
Import Costs	2,408,781	187,000	234,103	126,040	104,480	-	-	3,060,404
Total Direct Costs	<u>3,551,681</u>	<u>650,255</u>	<u>411,126</u>	<u>236,328</u>	<u>223,562</u>	<u>23,297</u>	<u>1,324,863</u>	<u>6,421,112</u>
Operating Income	<u>\$ 3,816,144</u>	<u>\$ 1,195,545</u>	<u>\$ 320,477</u>	<u>\$ 397,212</u>	<u>\$ 394,118</u>	<u>\$ 65,103</u>	<u>\$ 7,825,862</u>	<u>\$ 14,014,461</u>