UNITED NETWORK FOR ORGAN SHARING

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2015 (with Summarized Comparative Totals for September 30, 2014)

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

UNITED NETWORK FOR ORGAN SHARING
TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statement of United Network for Organ Sharing (a nonprofit organization) (the “Organization”), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects the financial position of United Network for Organ Sharing as of September 30, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2014, consolidated financial statements, and our report dated February 4, 2015, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

As discussed in Note 1 to the consolidated financial statements, the Organization's primary source of revenue is one contract with a department of the United States. Non-renewal of the contract would materially affect the activities and financial position of the Organization.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
January 21, 2016

UNITED NETWORK FOR ORGAN SHARING
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 9,890,996	$ 8,231,581
Restricted cash	16,101,733	11,998,593
Investments	1,492,433	653,108
Restricted investments	600,405	401,052
Accounts receivable	9,684,387	10,825,754
Prepaid expenses	2,031,026	1,672,882
Total Current Assets	39,800,980	33,782,970
Property and Equipment, net	24,609,828	23,913,623
Investments	2,708,005	3,497,245
Restricted Investments	600,210	790,397
Other Assets	573,855	781,568
Total Assets	$ 68,292,878	$ 62,765,803
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of bonds payable debt	$ 510,000	$ 490,000
Current portion of notes payable	141,275	133,375
Accounts payable and accrued expenses	3,940,509	4,819,062
Due to National Organ Procurement Transplantation Network	20,940,412	18,360,999
Total Current Liabilities	25,532,196	23,803,436
Bonds Payable, less current portion	6,910,000	7,420,000
Interest Rate Swap Liability	183,854	282,657
Notes Payable, less current portion	1,848,816	2,287,533
Other liabilities	-	467,368
Total Liabilities	34,474,866	34,260,994
Net Assets:		
Unrestricted	33,121,780	27,670,405
Temporarily restricted	696,232	834,404
Total Net Assets	33,818,012	28,504,809
Total Liabilities and Net Assets	$ 68,292,878	$ 62,765,803

UNITED NETWORK FOR ORGAN SHARING
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	OPTN	Network and Member Services	Management and General	Fundraising	2015 Total	2014 Total
Change in Unrestricted Assets:						
Revenue and Other Support:						
OPTN Registration fees	$ 39,786,934	$ -	$ -	$ -	$ 39,786,934	$ 35,441,081
Government contracts - OPTN	5,109,985	-	-	-	5,109,985	3,994,459
UNOS registration fee	-	8,760,388	-	-	8,760,388	8,060,892
Grants revenue	-	69,107	-	-	69,107	-
Contributions	-	-	-	125,615	125,615	170,579
Interest income	-	58,395	-	480	58,875	61,898
Scientific and data analysis services	-	1,468,262	-	-	1,468,262	1,699,302
Regional and transplant forums	-	456,454	-	183,132	639,586	453,564
Miscellaneous	-	570,146	-	-	570,146	961,514
In-kind donations	-	-	-	79,377	79,377	70,000
Satisfaction of program restrictions	-	316,375	-	-	316,375	1,289,961
Total Unrestricted Revenues	44,896,919	11,699,127	-	388,604	56,984,650	52,203,250
Expenses:						
Salaries	19,731,542	2,535,663	2,042,354	182,270	24,491,829	23,106,721
Employee benefits and payroll taxes	8,672,367	609,327	490,165	43,765	9,815,624	8,732,704
Temporary help	1,424,992	47,744	59,592	-	1,532,328	1,434,496
Meetings and travel	2,010,240	747,516	27,195	490	2,785,441	2,679,475
Professional education programs and projects	-	219,389	-	-	219,389	134,478
Other purchased services	2,896,871	796,401	806,749	21,686	4,521,707	3,278,800
Telephone, telecommunications, and utilities	163,703	40,311	335,504	-	539,518	526,158
Equipment leases	-	-	213,514	-	213,514	224,651
Repairs and maintenance	1,694,266	24,852	376,934	-	2,096,052	1,911,728
Postage	18,251	5,348	5,784	733	30,116	40,974
Depreciation and amortization	1,686,088	228,298	771,582	-	2,685,968	2,072,281
In-kind donations	-	-	-	79,377	79,377	70,000
Indirect costs	6,422,784	-	(6,422,784)	-	-	-
Other	175,815	457,407	1,864,320	7,738	2,505,280	3,011,464
Total Expenses	44,896,919	5,712,256	570,909	336,059	51,516,143	47,223,930
Revenues Over (Under) Expenses	$ -	$ 5,986,871	$ (570,909)	$ 52,545	5,468,507	4,979,320
Unrealized loss on investments					(4,255)	(13,446)
Gain in the fair value of interest rate swap					98,803	129,861
Unrealized (loss) gain on insurance					(105,761)	35,755
Loss on disposal of property and equipment					(5,919)	(103,681)
Change in unrestricted assets					5,451,375	5,027,809
Change in temporarily restricted net assets:						
Contributions					178,203	520,018
Net assets released from restrictions					(316,375)	(1,289,961)
Change in temporarily restricted net assets					(138,172)	(769,943)
Change in net assets					5,313,203	4,257,866
Net assets, beginning of the year					28,504,809	24,246,943
Net assets, end of the year					$ 33,818,012	$ 28,504,809

UNITED NETWORK FOR ORGAN SHARING
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2015
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 5,313,203	$ 4,257,866
Adjustments to reconcile changes in net assets to net cash:		
Depreciation and amortization	2,685,968	2,072,281
Loss on disposal of property and equipment	5,919	103,681
Gain on interest rate swap	(98,803)	(129,861)
Loss (gain) on insurance values	105,761	(35,755)
Unrealized loss on investments, net	4,255	13,446
Change in operating assets and liabilities:		
Accounts receivable	1,141,367	(609,043)
Prepaid expenses	(463,905)	(604,310)
Other assets	207,713	45,498
Accounts payable and accrued expenses	(878,553)	2,027,003
Due to OPTN	2,579,413	8,920,676
Other liabilities	(467,368)	-
Net cash provided by operating activities	10,134,970	16,061,482
Cash flows from investing activities:		
Purchases of property and equipment	(3,388,092)	(3,887,149)
Purchases of investments	(1,200,000)	(2,000,000)
Proceeds from sales of investments	1,136,494	1,142,601
Net cash used in investing activities	(3,451,598)	(4,744,548)
Cash flows from financing activities:		
Repayments of long-term debt	(920,817)	(869,182)
Net cash used in financing activities	(920,817)	(869,182)
Increase in cash and cash equivalents	5,762,555	10,447,752
Cash and cash equivalents, beginning of year	20,230,174	9,782,422
Cash and cash equivalents, end of year	$ 25,992,729	$ 20,230,174
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 358,775	$ 402,742
Cash paid during the year for income taxes	$ 204,471	$ 333,923
Supplemental information - cash and cash equivalents:		
Cash and cash equivalents	$ 9,890,996	$ 8,231,581
Restricted cash	16,101,733	11,998,593
Cash and cash equivalents, end of year	$ 25,992,729	$ 20,230,174

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

Note 1—Organization and nature of operations

United Network for Organ Sharing ("UNOS"), a Virginia non-stock, not-for-profit corporation, operates the National Organ Procurement and Transplantation Network ("OPTN") established by the National Organ Transplantation Act passed by the U.S. Congress in 1984. Through a contract with the Health Resources and Services Administration ("HRSA") of the Department of Health and Human Services ("DHHS") (the "OPTN Contract"), UNOS functions as the sole national network whose mission is to improve the effectiveness of the U.S. organ procurement and transplantation system and to provide for the fair and equitable distribution of all donated organs. To carry out this mission, UNOS maintains a computerized database to identify potential transplant recipients and to provide for the systematic matching of donated organs with such recipients. UNOS is staffed 24 hours a day, 7 days a week, with specialists trained in assisting transplant centers and in administering Board of Directors-approved organ allocation policies. All organ procurement organizations ("OPOs") and transplant facilities in the United States are required to be members of OPTN. UNOS' Board of Directors is currently made up of 42 voting members elected from UNOS' membership and the general public.

On September 12, 2013, UNOS was awarded the latest OPTN contract from HRSA for the period September 30, 2013 through September 29, 2014, with additional one-year options to extend the OPTN contract to September 29, 2015, 2016, 2017, and 2018. During the year HRSA opted to extend the OPTN contract through September 29, 2016. The OPTN contract is the primary source of revenue for UNOS. If UNOS was not awarded the new OPTN contract, its future operations would have been materially adversely affected.

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

Note 2—Summary of significant accounting policies

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

Basis of Presentation – The consolidated financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements as of and for the year ended September 30, 2014, from which the summarized information was derived.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Costs that are billed under the provisions of the OPTN contract are reflected as costs of the program. Network and member services include items such as educational initiatives to increase organ donation and other non-contract expenses. Costs that cannot be specifically identified with a particular function and benefit more than one functional category are allocated on the basis of hours worked between network and member services and management and general.

Note 2—Summary of significant accounting policies (continued)

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

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

UNOS earns unrestricted revenue from services performed under scientific and data analysis contracts with nongovernmental entities, some of which may be considered unrelated business income. UNOS recognizes the revenue as it is earned under the contract, which generally occurs over a specified period of time that services are provided or as deliverables are provided to the respective clients.

Temporarily restricted revenue represents funds received through a gift or grant that are restricted by the donor to be expended for a specific purpose and are recognized as revenue when received. The satisfaction of the temporary restrictions are reported as increases to unrestricted revenue and decreases to temporarily restricted revenue under assets released from restrictions. If the expiration of temporary restrictions occurs in the same fiscal year as the contribution is received, the contributions are shown as unrestricted revenue. Expenses are reported as decreases in unrestricted net assets.

Net Assets – The Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified and reported as follows:

> *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets that may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
>
> *Temporarily Restricted* – Net assets, whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. At September 30, 2015 and 2014, temporarily restricted net assets consisted of the specific purpose fund.
>
> *Permanently Restricted* – Net assets subject to donor-imposed stipulations should be maintained permanently by the Organization. There were no permanently restricted net assets during 2015.

Note 2—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, cash in banks, and highly liquid cash management funds with an original maturity of three months or less.

Restricted Cash and Investments – Restricted cash and investments represent those funds that have been collected from OPTN members on behalf of the OPTN, for which cost reimbursement vouchers have not been submitted to the DHHS, or contributions received subject to donor-imposed stipulations.

Concentrations of Credit Risk – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage up to $250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2015, the Organization had $26,345,282 in deposits that exceeded these insured amounts.

UNOS derived approximately 79% and 76% of its unrestricted revenue from government contracts for the years ended September 30, 2015 and 2014, respectively.

Investments – UNOS accounts for investments in accordance with Financial Accounting Standards Board ("FASB") guidance on accounting for investments held by not-for-profit organizations. The guidance requires certain investments to be reflected at fair value in the consolidated statement of financial position. The fair value of investments is determined by an independent market valuation service using quoted closing prices at the end of the period. Interest income and dividends are recorded on the accrual basis. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported in the consolidated financial statements.

Property and Equipment – Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives of 39 years for the building, three to fifteen years for furniture and non-computer equipment, and three to five years for computer equipment. Expenditures of less than $5,000 for property and equipment are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in changes in net assets.

The carrying value of property and equipment is evaluated when certain events or changes in circumstances indicate that the carrying amount may exceed fair value. Fair value is calculated by estimating cash flows produced by the assets over their remaining useful lives. If undiscounted projected cash flows are less than the carrying amount, an impairment would be recognized. No impairments were identified during 2015.

Income Taxes – The Organization has been granted an exemption from federal income taxes under Internal Revenue Code Section 501(c)(3) except for income generated from unrelated business activities. Unrelated business activities include services performed under scientific and data analysis contracts with nongovernmental entities. Income tax expense on unrestricted income from these activities was $204,471 and $333,923 for the years ended September 30, 2015 and 2014, respectively.

Note 2—Summary of significant accounting policies (continued)

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

Compensated Absences – UNOS accrues a provision for vacation and holiday pay due to employees, which is reflected in compensated absences.

Donated Services – The Organization recognizes donated services as contributions in accordance with guidance issued by the FASB. Under this guidance, such services are recorded if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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

New Accounting Pronouncements – In April 2013, Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2013-06, Not for Profit Entities: Services Received from Personnel of an Affiliate. The amendments in this update require a not-for-profit recipient entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services, as long as that cost does not significantly overstate or understate the value of the service received, whereby the recipient entity could then record the contributed services at fair value. The amendments in this update are effective prospectively for fiscal years beginning after June 15, 2014, and early adoption is permitted. The impact of adopting ASU 2013-06 did not have an impact on the Organization.

Note 3—Investments

Investments at fair market value as of September 30, 2015 and 2014 consist of the following:

	2015	2014
Short-term investments:		
Money markets	$ 189,889	$ 82,935
Certificates of deposit	1,902,949	971,225
Total short-term investments	2,092,838	1,054,160
Long-term investments:		
Corporate notes and bonds	500,712	499,390
Certificates of deposit	2,807,503	3,788,252
Total long-term investments	3,308,215	4,287,642
Total investments	$ 5,401,053	$ 5,341,802

Interest income related to investments for the years ended September 30, 2015 and 2014, was $58,875 and $61,898, respectively.

Note 4—Accounts receivable

Accounts receivable as shown in the accompanying consolidated statement of financial position as of September 30, 2015 and 2014 consist of the following:

	2015	2014
OPTN registration fees	$ 6,935,414	$ 7,784,617
UNOS membership fees	1,436,252	1,402,899
Government contracts	858,211	924,549
Other	454,510	713,689
	$ 9,684,387	$ 10,825,754

The allowance for uncollectible amounts was $0 as of September 30, 2015 and 2014. OPTN members are required by federal regulation to pay the OPTN registration fee.

Note 5—Property and equipment

Cost and accumulated depreciation as of September 30, 2015 and 2014 are summarized as follows:

	2015	2014
Land	$ 1,113,000	$ 1,113,000
Building	21,796,860	21,219,749
Donor memorial	1,714,512	1,714,512
Computer hardware	14,780,400	12,776,463
Furniture and other equipment	3,648,965	3,546,199
Leasehold improvements	21,065	21,065
Other fixed assets	588,931	588,931
	43,663,733	40,979,919
Less accumulated depreciation	(19,053,905)	(17,066,296)
Property and equipment, net	$ 24,609,828	$ 23,913,623

Depreciation expense related to property and equipment for the years ended September 30, 2015 and 2014 was $ 2,685,968 and $2,072,281, respectively.

Note 6—Accounts payable and other accrued expenses

As of September 30, 2015 and 2014 accounts payable and other accrued expenses consist of the following:

	2015	2014
Trade	$ 1,808,444	$ 2,745,221
Accrued operating expenses	40,722	104,489
Accrued benefit contributions	197,785	184,261
Accrued compensation absences	1,893,558	1,785,091
	$ 3,940,509	$ 4,819,062

Note 7—Lines of credit

UNOS had two revolving lines of credit (“LOC”) available up to a total of $2,000,000. The first LOC of $1,000,000 was renewed on July 28, 2015, with a variable interest rate, which was 3.78% as of September 30, 2015. This line of credit calls for monthly payments of accrued interest only, in addition to one payment of all outstanding principal when the line of credit expires. There was no outstanding balance on this LOC as of September 30, 2015. The line of credit expires on October 28, 2015.

Note 7—Lines of credit (continued)

A second line of credit, also available for $1,000,000, has a variable interest rate which is based on the Prime Rate (3.25% as of September 30, 2015). There was no outstanding balance on this LOC as of September 30, 2015. This line of credit expires on July 30, 2016.

Note 8—Long-term debt

In December 2010, UNOS paid off the 2002 Bonds originally issued in the amount of $12,000,000, which were used to finance the construction of UNOS corporate headquarters, and obtained $9,720,000 from the issuance of the 2010 Bonds. Interest is payable on the 2010 Bonds on the first day of each month. Interest rates were initially determined on the 2010 Bonds based on a weekly rate as determined by the bank serving as agent for the bond issuance. UNOS has the option to convert the rate to a term rate, as defined, for two or more semiannual periods, which is determined by the bank such that there is no premium or discount on conversion. UNOS also has the option to convert the rate to a fixed rate to maturity, which is determined by the bank, provided that there is no discount or premium on conversion. At no time may the interest rate exceed 12%. The applicable interest rate as of September 30, 2015 and 2014 was 1.440% and 1.414%, respectively.

Bonds payable and long-term obligations as of September 30, 2015 and 2014 consist of the following amounts:

	2015	2014
2010 bonds	$ 7,420,000	$ 7,910,000
Less: current maturities	(510,000)	(490,000)
	$ 6,910,000	$ 7,420,000

Future maturities on bonds payable at September 30, 2015 are as follows:

Year Ending September 30,	
2016	$ 510,000
2017	525,000
2018	545,000
2019	565,000
2020	585,000
Thereafter	4,690,000
Total	$ 7,420,000

Note 8—Long-term debt (continued)

In 2011, UNOS entered into a $3,000,000 promissory note to purchase the building known as the "Jackson Center" near its headquarters in Richmond, Virginia. This purchase was intended to provide UNOS additional office space. UNOS plans to use a portion of the space for operations and rent the additional unused office space. Rental revenue for the years ended September 30, 2015 and 2014 was $0 and $253,706, respectively. Principal payments on the note are due at the beginning of each month through September 2031. Interest is payable on the Jackson Center loan on the first day of each month at a rate of 5.35%. The Jackson Center loan is collateralized by the equity in the UNOS headquarters building at 700 North 4th Street, Richmond, Virginia.

Notes payable consist of the following at September 30, 2015 and 2014:

	2015	2014
Jackson Center loan	$ 1,990,091	$ 2,420,908
Less current maturities	(141,275)	(133,375)
	$ 1,848,816	$ 2,287,533

Future maturities on notes payable at September 30, 2015, are as follows:

Year Ending September 30,	
2016	$ 141,275
2017	113,062
2018	119,261
2019	125,802
2020	132,699
Thereafter	1,357,992
Total	$ 1,990,091

UNOS incurred approximately $357,000 and $402,000 of interest expense for the years ended September 30, 2015 and 2014, respectively. The notes payable contain restrictive covenants, including the requirement to maintain a minimum debt service coverage ratio and a minimum level of unrestricted liquidity. As of September 30, 2015, UNOS was in compliance with those covenants. Management is reserving cash to meet the required principal and interest payment in accordance with the payment deadlines.

Note 8—Long-term debt (continued)

UNOS entered into an interest rate swap agreement in February 2006, which was amended in December 2010. As of September 30, 2015, the interest rate swap has a notional amount of $3,710,000, whereby UNOS pays a fixed rate of interest of 3.55% and receives a variable rate of 65.7% of LIBOR – BBA Index (0.15% at September 30, 2015). The change in the fair value of the interest rate swap is recognized as a yield adjustment in the current year of operations. The effect of gains and losses on the Organization's consolidated financial statements related to derivative instruments designated as cash flow hedges amounted to a gain in the fair value of the interest rate swap of $98,803 and $129,861 as of September 30, 2015 and 2014, respectively. Accordingly, the accompanying consolidated statements of financial position includes $183,854 and $282,657 in accounts payable and other accrued expenses to reflect the fair value of the interest rate swap for the years ended September 30, 2015 and 2014, respectively.

Note 9—Fair value measurements

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provide a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels.

The Organization's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

Level 1 – Inputs that are based upon quoted prices for identical instruments traded in active markets.

Level 2 – Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. The Organization has no Level 3 investments.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds – Valued at the net asset value of shares held by the Organization at year-end.

Note 9—Fair value measurements (continued)

Equity Securities and Corporate Bonds – Valued at the closing price reported on the active market on which the individual securities are traded.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

	Fair Value Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Money Markets	$ 189,889	$ -	$ -	$ 189,889
Corporate Bonds	-	500,712	-	500,712
Total assets at fair value	$ 189,889	$ 500,712	$ -	$ 690,601
Liabilities:				
Interest rate swap	$ -	$ 183,854	$ -	$ 183,854

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2014.

	Fair Value Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Money Markets	$ 82,935	$ -	$ -	$ 82,935
Corporate Bonds	-	499,390	-	499,390
Total assets at fair value	$ 82,935	$ 499,390	$ -	$ 582,325
Liabilities:				
Interest rate swap	$ -	$ 282,657	$ -	$ 282,657

Note 10—Employee benefit plans

Retirement benefits for all full-time employees are provided through a qualified defined contribution pension plan. Under the terms of the plan, all employees of UNOS who have completed 1,000 hours of continuous employment earn a year of vesting for plan purposes. All UNOS employees are eligible for participation coincident with employment. UNOS contributed an amount equal to four percent of each participant's compensation and matched participant deferrals dollar for dollar up to six percent of employee compensation for the years ended September 30, 2015 and 2014. Employees become fully vested after six years of vesting service, as defined in the plan. Forfeitures serve to reduce the total contribution required of UNOS. Contributions made by UNOS for the years ended September 30, 2015 and 2014, amounted to approximately $2,185,100 and $2,011,000, respectively.

In the past, UNOS had a deferred compensation agreement providing for payments to its former executive director. Other liabilities as of September 30, 2015 and 2014, included approximately $0 and $467,368, respectively, related to this agreement.

Note 11—Operating leases

UNOS leases certain office equipment under non-cancelable operating leases. Equipment lease expense was approximately $213,514 for the year ended September 30, 2015. Scheduled future minimum lease payments under the remaining portion of non-cancelable operating leases are as follows:

Year Ending September 30,	
2016	$ 154,338
2017	154,338
2018	154,338
2019	154,338
2020	25,723
	$ 643,075

Note 12—Contingencies

DHHS and the General Accounting Office ("GAO") are entitled to review the accounting and other records of UNOS. DHHS is primarily responsible for determining the acceptability of estimated or incurred costs as allowable contract costs under the OPTN contract. GAO is responsible for determining that procurement actions are made in conformity with applicable laws and regulations. Management is of the opinion that UNOS is in compliance with applicable provisions of the OPTN contract.

UNOS, in the ordinary course of its business to provide for the fair and equitable distribution of donated organs, is sometimes named as a defendant in litigation involving claims related to its operation of the OPTN. While it is UNOS' policy to handle all claims promptly, efficiently, fairly, and in accordance with the provisions of the OPTN contract and applicable laws, UNOS may be subjected to a plaintiff's allegations seeking damages. On the basis of information provided by in-house and external counsel and others, UNOS believes there are no contingencies that will materially affect the consolidated financial statements.

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

Note 13—Subsequent events

Management has evaluated subsequent events through January 21, 2016, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

UNITED NETWORK FOR ORGAN SHARING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor	Identifying Number (CFDA Number Not Available)	Federal Expenditures
Department of Health and Human Services		
Direct Payments		
Health Resources and Services Administration	Organ Procurement and Transplantation Network (93.231-00-0115)	$ 5,109,985
		$ 5,109,985

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the United Network for Organ Sharing and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.

Note 2—Subrecipients

There were no amounts of federal expenditures presented in the schedule that were provided to subrecipients.

COMPLIANCE REPORTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Network for Organ Sharing (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
January 21, 2016

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited United Network for Organ Sharing's (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
January 21, 2016

Section I – Summary of Auditor's Results

Type of auditor's report issued*: Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _______ yes ___X___ no
- Significant deficiency(ies) identified? _______ yes ___X___ none reported
- Noncompliance material to consolidated financial statements noted? _______ yes ___X___ no

Federal Award

Internal control over major federal programs:

- Material weakness(es) identified? _______ yes ___X___ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _______ yes ___X___ none reported
- Noncompliance material to consolidated financial statements noted? _______ yes ___X___ no

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133? _______ yes ___X___ no

Identification of major programs:

Federal Project/CFDA Number	Program Name
Department of Human Services 93.231-00-0115	Organ Procurement and Transplantation Network

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? ___X___ yes _______ no

Section II – Findings Relating to the Consolidated Financial Statements which Are Required to Be Reported in Accordance with Government Auditing Standards

None reported

Section III - Findings and Questioned Costs Relating to Federal Awards

None reported

UNITED NETWORK FOR ORGAN SHARING

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2015

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