

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Sleep Apnea Association, Inc.

We have audited the accompanying financial statements of American Sleep Apnea Association, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses 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 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 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 American Sleep Apnea Association, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
August 26, 2019

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 136,062	\$ 29,752
Grants, contributions and other receivables, net	60,570	39,202
Prepaid expenses	<u>5,712</u>	<u>5,767</u>
Total current assets	202,344	74,721
Property and equipment, net	<u>11,541</u>	<u>1,434</u>
TOTAL ASSETS	<u>\$ 213,885</u>	<u>\$ 76,155</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Accounts payable	\$ 30,946	\$ 28,571
Accrued expenses	5,229	2,106
Notes payable, related parties	<u>37,930</u>	<u>87,550</u>
Total current liabilities	<u>74,105</u>	<u>118,227</u>
Net assets (deficit):		
Unrestricted	134,621	(53,897)
Temporarily restricted	<u>5,159</u>	<u>11,825</u>
Total net assets (deficit)	<u>139,780</u>	<u>(42,072)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 213,885</u>	<u>\$ 76,155</u>

See accompanying notes to financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Revenues and other support:				
Contributions and grants	\$ 353,124	\$ -	\$ 122,416	\$ 10,000
Program fees and services	305,220	-	249,269	-
Other program revenue	28,500	-	-	-
Membership dues	6,450	-	4,650	-
Miscellaneous and interest income	3,557	-	41	-
Net assets released from restrictions	<u>6,666</u>	<u>(6,666)</u>	<u>120,636</u>	<u>(120,636)</u>
Total revenues and other support	<u>703,517</u>	<u>(6,666)</u>	<u>497,012</u>	<u>(110,636)</u>
Expenses:				
Program services:				
CPAP assistance program	217,798	-	220,162	-
Sleeptember campaign	242,648	-	137,668	-
Outreach and education	16,728	-	32,329	-
AWAKE	4,543	-	-	-
Research programs	-	-	93,792	-
Total program services	<u>481,717</u>	<u>-</u>	<u>483,951</u>	<u>-</u>
Supporting services:				
Management and general	22,584	-	45,510	-
Fundraising	10,698	-	13,175	-
Total supporting services	<u>33,282</u>	<u>-</u>	<u>58,685</u>	<u>-</u>
Total expenses	<u>514,999</u>	<u>-</u>	<u>542,636</u>	<u>-</u>
Changes in net assets	188,518	(6,666)	(45,624)	(110,636)
Net assets (deficit) - beginning	<u>(53,897)</u>	<u>11,825</u>	<u>(8,273)</u>	<u>122,461</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ 134,621</u>	<u>\$ 5,159</u>	<u>\$ (53,897)</u>	<u>\$ 11,825</u>

See accompanying notes to financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Supporting services			Total supporting services	Total
	Program services	Management and general	Fundraising		
Salaries	\$ 69,200	\$ -	\$ -	\$ -	\$ 69,200
Payroll taxes	6,455	-	-	-	6,455
Employee benefits	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094</u>
Total payroll-related expenses	76,749	-	-	-	76,749
Professional fees	239,950	20,227	3,613	23,840	263,790
Postage and shipping	39,681	645	39	684	40,365
Advertising services	47,050	-	97	97	47,147
Travel and meetings	7,902	1,071	39	1,110	9,012
Office rent	21,837	277	138	415	22,252
Website services	15,374	51	5,514	5,565	20,939
Telephone	5,723	255	127	382	6,105
Computer services	8,324	680	207	887	9,211
Program and office supplies	2,436	736	33	769	3,205
Insurance	4,804	448	224	672	5,476
Interest	-	1,286	-	1,286	1,286
Bank fees	3,632	445	41	486	4,118
Miscellaneous	1,752	-	530	530	2,282
Production	525	359	-	359	884
Depreciation	1,115	131	66	197	1,312
Printing	405	175	-	175	580
Dues and subscriptions	50	166	-	166	216
Licenses and taxes	-	40	30	70	70
	<u>4,408</u>	<u>(4,408)</u>	<u>-</u>	<u>(4,408)</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 481,717</u>	<u>\$ 22,584</u>	<u>\$ 10,698</u>	<u>\$ 33,282</u>	<u>\$ 514,999</u>

See accompanying notes to financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Supporting services			Total supporting services	Total
	Program services	Management and general	Fundraising		
Salaries	\$ 105,628	\$ 6,102	\$ 2,399	\$ 8,501	\$ 114,129
Payroll taxes	10,144	1,880	445	2,325	12,469
Employee benefits	<u>6,657</u>	<u>689</u>	<u>345</u>	<u>1,034</u>	<u>7,691</u>
Total payroll-related expenses	122,429	8,671	3,189	11,860	134,289
Professional fees	227,749	24,925	4,278	29,203	256,952
Postage and shipping	29,313	860	-	860	30,173
Advertising services	28,616	-	-	-	28,616
Travel and meetings	20,588	5,291	-	5,291	25,879
Office rent	19,072	550	275	825	19,897
Website services	14,156	99	4,541	4,640	18,796
Telephone	5,703	359	180	539	6,242
Computer services	3,862	361	157	518	4,380
Program and office supplies	4,026	76	13	89	4,115
Insurance	3,517	182	207	389	3,906
Interest	46	3,352	185	3,537	3,583
Bank fees	1,688	367	84	451	2,139
Miscellaneous	1,116	-	-	-	1,116
Production	875	-	-	-	875
Depreciation	669	79	39	118	787
Printing	249	98	-	98	347
Equipment rental and maintenance	267	-	-	-	267
Dues and subscriptions	10	228	-	228	238
Licenses and taxes	<u>-</u>	<u>12</u>	<u>27</u>	<u>39</u>	<u>39</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 483,951</u>	<u>\$ 45,510</u>	<u>\$ 13,175</u>	<u>\$ 58,685</u>	<u>\$ 542,636</u>

See accompanying notes to financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Changes in net assets	\$ 181,852	\$ (156,260)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,312	787
Notes payable converted to contribution	(28,900)	-
Changes in assets and liabilities:		
Grants, contributions and other receivables	(21,368)	(709)
Prepaid expenses	55	1,835
Accounts payable	2,376	(12,487)
Accrued expenses	<u>3,123</u>	<u>646</u>
Net cash provided by (used in) operating activities	<u>138,450</u>	<u>(166,188)</u>
Cash used in investing activities:		
Purchase of property and equipment	<u>(11,419)</u>	<u>(1,468)</u>
Cash flows from financing activities:		
Repayments of notes payable	(20,721)	(23,620)
Additional loans from related parties	<u>-</u>	<u>12,550</u>
Net cash used in financing activities	<u>(20,721)</u>	<u>(11,070)</u>
Net increase (decrease) in cash and cash equivalents	106,310	(178,726)
Cash and cash equivalents - beginning	<u>29,752</u>	<u>208,478</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 136,062</u></u>	<u><u>\$ 29,752</u></u>
Supplemental disclosures of non-cash financing activities:		
Notes payable converted to contribution	<u><u>\$ 28,900</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. ORGANIZATION AND BUSINESS

American Sleep Apnea Association, Inc. (the "Association") is a 501(c)(3) organization whose mission is to reduce injury, disability, and premature death from sleep apnea and to enhance the well-being of those affected by this common disorder. The Association promotes education and awareness, the Association's A.W.A.K.E network of voluntary mutual support groups, research, and continuous improvement of care.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Association presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of presentation

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

Unrestricted net assets - Net assets not subject to donor-imposed stipulations that are available for current and future operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations may or will be met by actions of the Association and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use the income earned on related investments for specific purposes. At June 30, 2017 and 2016, the Association had no permanently restricted net assets.

Cash and cash equivalents

For purposes of the statements of financial position and cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be considered cash equivalents.

Grants and contributions receivable

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessments of the current status of individual account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined that all grants and contributions receivable at June 30, 2017, were fully collectible and, therefore, no allowance was required; the allowance for doubtful accounts was \$10,000 at June 30, 2016.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to five years.

Individual purchases, improvements and replacements costing \$300 or more are capitalized. Maintenance and repairs that do not improve or extend the lives of the assets are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss reported in the statements of activities. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

Revenue recognition

Contributions are recognized as revenue when they are unconditionally promised. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires due to the passage of time or the restricted purpose has been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as "Net assets released from restrictions".

Cost reimbursable grants and contracts are recognized as unrestricted revenue when direct and indirect expenditures are incurred in compliance with the specific terms of the grant or agreement.

Program fees and services are recognized as revenue when the applicable services have been rendered.

Income taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except for income taxes on unrelated business income. In addition, the Association has been classified as an organization that is not a private foundation under IRC Section 590(a)(1). There were no unrelated business income activities for the years ended June 30, 2017 and 2016.

Uncertain tax positions

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*, the Association has applied the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. Management has evaluated the Association's tax positions and has concluded that there are no uncertain tax positions that qualified for either recognition or disclosure in the financial statements as of June 30, 2017 and 2016.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses

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

Recent accounting pronouncements

In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This update significantly changes how not-for-profit entities present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for liquidity and availability of resources. ASU 2016-14 is effective for years beginning after December 15, 2017, with early adoption permitted. The effect of adopting this new guidance on the Association's financial statements and related disclosures is currently being evaluated by the Association.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. The new guidance is effective for years beginning after December 15, 2018. The effect of adopting this guidance on the Association's financial statements and related disclosures is currently being evaluated by the Association.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This update requires all leases with terms greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this new guidance on the Association's financial statements and related disclosures has not yet been determined.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through August 26, 2019, which is the date on which these financial statements were available to be issued. Except as described in Note 7 regarding the extension of the office lease, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3. CONCENTRATIONS OF CREDIT RISK

The Association places its cash and cash equivalents, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution. The Association has not experienced losses on these accounts.

Grants totaling \$293,798 or 83% of total contributions and grants were received from two donors during the year ended June 30, 2017. There was no concentration in contributions and grants during the year ended June 30, 2016.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 3,450	\$ 6,403
Software	<u>9,753</u>	<u>3,000</u>
	13,203	9,403
Less: accumulated depreciation	<u>1,662</u>	<u>7,969</u>
Property and equipment, net	<u>\$ 11,541</u>	<u>\$ 1,434</u>

Depreciation expense was \$1,312 and \$787 for the years ended June 30, 2017 and 2016.

NOTE 5. NOTES PAYABLE - RELATED PARTIES

The Association has entered into five notes payable with several officers of the Association and/or entities related to these persons. Outstanding balances under the loans bear interest at the rate of 3% per annum and all matured on April 29, 2016, at which time all principal and unpaid interest was due. However, with the agreement of the creditors, payment was not made upon maturity and the loans were converted to and classified as demand notes. During the year ended December 31, 2017, notes payable from two officers totaling \$28,900 were converted to unrestricted contributions. Total notes payable to these related parties, including accrued interest, amounted to \$37,930 and \$87,550 at June 30, 2017 and 2016, respectively.

NOTE 6. RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets for the year ended June 30, 2017:

	<u>Beginning</u>	<u>Revenues and</u>	<u>Net assets</u>	<u>Ending</u>
	<u>balance</u>	<u>other support</u>	<u>released</u>	<u>balance</u>
SAPCON-PCORI	\$ 5,159	\$ -	\$ -	\$ 5,159
Industry roundtable	<u>6,666</u>	<u>-</u>	<u>(6,666)</u>	<u>-</u>
Total	<u>\$ 11,825</u>	<u>\$ -</u>	<u>\$ (6,666)</u>	<u>\$ 5,159</u>

AMERICAN SLEEP APNEA ASSOCIATION, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6. RESTRICTED NET ASSETS (CONTINUED)

The following is a summary of temporarily restricted net assets for the year ended June 30, 2016:

	Beginning <u>balance</u>	Revenues and <u>other support</u>	Net assets <u>released</u>	Ending <u>balance</u>
SAPCON-PCORI	\$ 112,461	\$ -	\$ (107,302)	\$ 5,159
Industry roundtable	<u>10,000</u>	<u>10,000</u>	<u>(13,334)</u>	<u>6,666</u>
Total	<u>\$ 122,461</u>	<u>\$ 10,000</u>	<u>\$ (120,636)</u>	<u>\$ 11,825</u>

During the years ended June 30, 2017 and 2016, net assets were released from restrictions due to purpose restrictions met.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Association has renewed the agreement to rent office and storage space that is leased under a noncancelable operating lease beginning on November 1, 2015. The renewal agreement expires on October 31, 2017, with monthly payments of \$1,765. Rent expense for the years ended June 30, 2017 and 2016, totaled \$22,252 and \$19,897, respectively.

Future minimum lease payment for the remaining life of the lease at June 30, 2017, is \$7,060. Subsequent to year end, the lease was extended until October 31, 2018.