

Financial Statements
and Other Financial Information

Amputee Coalition of America, Inc.

*Years ended December 31, 2017 and 2016
with Report of Independent Auditors*

Amputee Coalition of America, Inc.

Financial Statements and
Other Financial Information

Years ended December 31, 2017 and 2016

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Report of Independent Auditors

Board of Directors
Amputee Coalition of America, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Amputee Coalition of America, Inc. (Amputee Coalition), which comprise the statements of financial position as of December 31, 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 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 financial statements are free of 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 Amputee Coalition of America, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Amputee Coalition of America, Inc.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 June 29, 2018, on our consideration of Amputee Coalition’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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Amputee Coalition’s 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 Amputee Coalition’s internal control over financial reporting and compliance.

Coulter & Justus, P. C.

Knoxville, Tennessee
June 29, 2018

Amputee Coalition of America, Inc.

Statements of Financial Position

| | December 31 | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,052,613 | \$ 1,440,125 |
| Investments | 576,759 | 469,793 |
| Accounts receivable, net | 25,514 | 11,840 |
| Contributions receivable, related parties | 91,810 | 98,165 |
| Contributions receivable, non related parties | 82,527 | 224,630 |
| Grants receivable | 126,161 | 126,929 |
| Other current assets | 139,880 | 142,457 |
| Total current assets | 3,095,264 | 2,513,939 |
| Net property and equipment | 45,715 | 74,711 |
| Net internally developed software | 120,550 | - |
| Total assets | \$ 3,261,529 | \$ 2,588,650 |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 108,523 | \$ 85,900 |
| Accrued expenses | 55,184 | 129,521 |
| Deferred revenues | 14,000 | - |
| Total current liabilities | 177,707 | 215,421 |
| Net assets: | | |
| Unrestricted | 2,202,571 | 1,479,753 |
| Temporarily restricted | 881,251 | 893,476 |
| Total net assets | 3,083,822 | 2,373,229 |
| Total liabilities and net assets | \$ 3,261,529 | \$ 2,588,650 |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Statement of Activities

For the year ended December 31, 2017

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|-----------------------------------|---------------------|
| Support and revenues: | | | |
| Grants | \$ 2,618,470 | \$ - | \$ 2,618,470 |
| Sponsorships | 30,825 | 233,000 | 263,825 |
| Contributions | 188,441 | 189,396 | 377,837 |
| Publication advertising | 187,306 | - | 187,306 |
| Memberships | 77,375 | - | 77,375 |
| Event registration | 190,205 | - | 190,205 |
| Educational material sales and other income | 314,700 | 11,722 | 326,422 |
| Net assets released from restrictions | 446,343 | (446,343) | - |
| Total support and revenues | <u>4,053,665</u> | <u>(12,225)</u> | <u>4,041,440</u> |
| Expenses: | | | |
| Program services | 2,433,517 | - | 2,433,517 |
| Management and general | 652,182 | - | 652,182 |
| Fundraising | 245,148 | - | 245,148 |
| Total expenses | <u>3,330,847</u> | <u>-</u> | <u>3,330,847</u> |
| Increase in net assets | 722,818 | (12,225) | 710,593 |
| Net assets at beginning of year | 1,479,753 | 893,476 | 2,373,229 |
| Net assets at end of year | <u>\$ 2,202,571</u> | <u>\$ 881,251</u> | <u>\$ 3,083,822</u> |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Statement of Activities

For the year ended December 31, 2016

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|-----------------------------------|---------------------|
| Support and revenues: | | | |
| Grants | \$ 2,880,327 | \$ - | \$ 2,880,327 |
| Sponsorships | 47,850 | 223,000 | 270,850 |
| Contributions | 126,268 | 293,750 | 420,018 |
| Publication advertising | 202,633 | - | 202,633 |
| Memberships | 141,649 | - | 141,649 |
| Event registration | 142,130 | - | 142,130 |
| Educational material sales and other income | 212,892 | 2,279 | 215,171 |
| Estate distributions | 49,018 | - | 49,018 |
| Net assets released from restrictions | 379,201 | (379,201) | - |
| Total support and revenues | <u>4,181,968</u> | <u>139,828</u> | <u>4,321,796</u> |
| Expenses: | | | |
| Program services | 2,598,061 | - | 2,598,061 |
| Management and general | 698,108 | - | 698,108 |
| Fundraising | 231,530 | - | 231,530 |
| Total expenses | <u>3,527,699</u> | <u>-</u> | <u>3,527,699</u> |
| Increase in net assets | 654,269 | 139,828 | 794,097 |
| Net assets at beginning of year | 825,484 | 753,648 | 1,579,132 |
| Net assets at end of year | <u>\$ 1,479,753</u> | <u>\$ 893,476</u> | <u>\$ 2,373,229</u> |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Statement of Functional Expenses

For the year ended December 31, 2017

| | Total Program Services | Supporting Services | | Totals |
|-------------------------|---------------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| Salaries | \$ 729,232 | \$ 307,131 | \$ 109,420 | \$ 1,145,783 |
| Fringe benefits | 255,906 | 116,796 | 38,398 | 411,100 |
| Advertising | 1,393 | - | 106 | 1,499 |
| Communications | 14,429 | 6,207 | 2,164 | 22,800 |
| Contractual costs | 467,437 | 66,491 | 20,283 | 554,211 |
| Depreciation | 19,901 | 16,836 | 2,275 | 39,012 |
| Events | 288,843 | 5,035 | 5,892 | 299,770 |
| Insurance | 17,758 | 17,722 | 2,506 | 37,986 |
| Minor capital costs | 2,580 | 2,182 | 295 | 5,057 |
| Postage | 74,066 | 1,870 | 3,534 | 79,470 |
| Printing | 148,619 | 1,156 | 9,219 | 158,994 |
| Rent | 44,568 | 35,534 | 4,727 | 84,829 |
| Repairs and maintenance | 11,395 | 9,640 | 1,458 | 22,493 |
| Supplies | 18,724 | 10,444 | 3,353 | 32,521 |
| Technology | 100,047 | 19,648 | 6,851 | 126,546 |
| Travel | 197,375 | 27,374 | 12,797 | 237,546 |
| Utilities | 3,401 | 2,877 | 389 | 6,667 |
| Other | 37,843 | 5,239 | 21,481 | 64,563 |
| | \$ 2,433,517 | \$ 652,182 | \$ 245,148 | \$ 3,330,847 |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Statement of Functional Expenses

For the year ended December 31, 2016

| | <u>Supporting Services</u> | | | |
|-------------------------|-----------------------------------|-----------------------------------|--------------------|---------------------|
| | Total Program Services | Management and General | Fundraising | Totals |
| Salaries | \$ 734,732 | \$ 383,922 | \$ 97,256 | \$ 1,215,910 |
| Fringe benefits | 243,318 | 84,391 | 31,109 | 358,818 |
| Advertising | 100,717 | - | 4,152 | 104,869 |
| Communications | 27,031 | 234 | 1,563 | 28,828 |
| Contractual costs | 483,232 | 66,007 | 11,419 | 560,658 |
| Depreciation | 18,423 | 13,156 | 1,790 | 33,369 |
| Events | 222,947 | 15,293 | 5,297 | 243,537 |
| Insurance | 9,882 | 9,706 | 1,087 | 20,675 |
| Minor capital costs | 3,507 | 2,504 | 2,537 | 8,548 |
| Postage | 109,275 | 2,154 | 4,080 | 115,509 |
| Printing | 168,708 | 874 | 14,263 | 183,845 |
| Rent | 48,872 | 30,263 | 4,276 | 83,411 |
| Repairs and maintenance | 22,797 | 15,965 | 2,196 | 40,958 |
| Supplies | 54,162 | 4,421 | 5,156 | 63,739 |
| Technology | 51,727 | 13,409 | 4,500 | 69,636 |
| Travel | 258,027 | 43,315 | 13,437 | 314,779 |
| Utilities | 3,372 | 2,408 | 328 | 6,108 |
| Other | 37,332 | 10,086 | 27,084 | 74,502 |
| | <u>\$ 2,598,061</u> | <u>\$ 698,108</u> | <u>\$ 231,530</u> | <u>\$ 3,527,699</u> |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Statements of Cash Flows

| | Year ended December 31 | |
|--|-------------------------------|---------------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Increase in net assets | \$ 710,593 | \$ 794,097 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 39,012 | 33,370 |
| Net appreciation in fair value of investments | (29,833) | (16,916) |
| Changes in operating assets and liabilities: | | |
| Receivables | 135,552 | 75,989 |
| Other assets | 2,577 | 45,163 |
| Accounts payable and accrued expenses | (92,215) | (99,934) |
| Deferred revenues | 14,000 | (67,232) |
| Net cash provided by operating activities | <u>779,686</u> | <u>764,537</u> |
| Cash flows from investing activities | | |
| Purchases of equipment | (10,015) | (61,018) |
| Purchases of internally developed software | (80,050) | - |
| Net purchases of investments | (77,133) | (147,556) |
| Net cash used for investing activities | <u>(167,198)</u> | <u>(208,574)</u> |
| Net increase in cash and cash equivalents | 612,488 | 555,963 |
| Cash and cash equivalents at beginning of year | 1,440,125 | 884,162 |
| Cash and cash equivalents at end of year | <u>\$ 2,052,613</u> | <u>\$ 1,440,125</u> |
| Supplemental disclosure of noncash activities | | |
| Internally developed software costs included in accounts payable | \$ 40,500 | \$ - |

See accompanying Notes to Financial Statements.

Amputee Coalition of America, Inc.

Notes to Financial Statements

December 31, 2017

1. Organization and Nature of Activities

The Amputee Coalition of America, Inc. (Amputee Coalition) is a not-for-profit organization whose mission is to reach out and empower people across the United States of America affected by limb loss to achieve their full potential through education, support, and advocacy, and to promote limb loss prevention. Amputee Coalition's primary funding sources are federal grants, donor contributions, membership dues, publication advertising, and sponsorships.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and provide for the accrual basis of accounting.

Amputee Coalition reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted net assets include revenue and contributions received without donor-imposed restrictions.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that limit the use of the donated assets and include those gifts for which the restriction is not met within the same fiscal year. When a donor restriction expires in a subsequent fiscal year, 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 in the Statement of Activities as net assets released from restrictions. Donor restricted gifts are classified as unrestricted if the restriction expires in the same fiscal year. Temporary restrictions primarily relate to purpose restrictions such as camp attendance, well-being initiatives and scholarships as well as time restrictions for sponsorships.

At December 31, 2017 and 2016, cash and contributions receivable equal to temporarily restricted net assets are donor restricted.

Cash and Cash Equivalents

Amputee Coalition considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash on deposit at financial institutions is federally insured to certain limits or otherwise collateralized.

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments and Fair Value Measurements

The investment portfolios are held and managed by investment advisors and stated at fair value based upon quoted prices in an active market (*Note 4*). Investment income, including unrealized gains and losses, is reported as an increase in unrestricted or temporarily restricted net assets, depending upon donor stipulations, if any.

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy (in order of priority) are described below:

| | |
|---------|--|
| Level 1 | Quoted prices in active markets for identical investments. |
| Level 2 | Significant other observable inputs. |
| Level 3 | Significant unobservable inputs. |

The 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of Amputee Coalition's investments are in mutual funds that are valued at the daily closing price as reported by the fund. Mutual funds held by the Amputee Coalition are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded (Level 1).

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Amputee Coalition believes its valuation methods are appropriate and consistent with 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.

Accounts Receivable

Due to the nature of the activities and services, Amputee Coalition's policies do not require collateral for receivables. The allowance method is used to determine uncollectible accounts receivable, if any, based on prior years' experience and management's analysis of specific accounts receivable. Credit losses, when realized, have been within management's expectations.

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Significant property and equipment additions are capitalized and stated at cost. The cost of maintenance and repairs is recorded as expenses are incurred, betterments are capitalized, and gains and losses from disposition are included in revenues or expenses. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. For property and equipment additions reimbursed by the grantor, revenue is recognized at the time of purchase.

Internally Developed Software

Internally developed software costs represent costs incurred creating and implementing a Peer Support Application (Application).

Costs incurred in the planning and evaluation stage prior to obtaining the technological feasibility of the Application, as well as costs to maintain the Application, are expensed as incurred and totaled \$21,749 during 2017. Costs incurred after the technological feasibility of the Application has been established but before it becomes available for the general release to users and those costs which add functionality are capitalized and then amortized. Amortization is computed as the greater of the straight-line method over the remaining economic life of the Application, or the ratio that current gross revenues for the Application bear to the total of current and anticipated gross revenues for the Application. Amortization begins when the Application is available for general release to users.

Revenue Recognition

For grant awards that are on a cost reimbursement basis, revenue is recognized to the extent cost has been incurred.

Contributions are recognized as revenue when cash is received or the donor makes an unconditional promise to give. They are recorded at fair value as unrestricted or temporarily restricted support, depending on the absence or existence of donor-imposed restrictions.

Sponsorship revenues support specific activities of Amputee Coalition and are recognized when received or based upon the sponsor's specific commitment.

Membership dues are reported as deferred revenue when received and then recognized as revenue over the period of membership. Revenues from sales of materials, advertising, projects, and events for which the Amputee Coalition has been contracted to render services are recognized when earned.

Amputee Coalition is also a designated beneficiary in a planned giving arrangement of a certain individual retirement account. No amounts are recorded in connection with such arrangements until the point when the amount of the gift becomes determinable and not subject to revocation by the potential donor.

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

Expenses have been allocated between program and supporting services primarily on the basis of specific identification. Supporting services include management and general and fundraising expenses.

Income Taxes

Amputee Coalition is classified as an organization exempt from income tax under Internal Revenue Code Section 501(c)(3) as other than a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Advertising

Advertising costs are expensed as incurred and totaled \$1,499 and \$104,869 in 2017 and 2016, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in 2016 have been reclassified to conform to 2017 classifications.

Subsequent Events

In preparation of the accompanying financial statements, management has evaluated subsequent events that have occurred since December 31, 2017 through June 29, 2018, the date the financial statements were available for issuance.

3. Grant and Other Revenues

Amputee Coalition receives grant revenues from the U.S. Department of Health and Human Services (HHS) Administration for Community Living (ACL). These revenues accounted for approximately 65% and 67% of total support and revenues in 2017 and 2016, respectively. Grant receivables from ACL of \$126,161 and \$126,929 were recorded as of December 31, 2017 and 2016, respectively. The grants are cost reimbursement grants with costs subject to audit by ACL or its agents.

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

3. Grant and Other Revenues (continued)

In addition to federal grants, Amputee Coalition has concentrations in revenue sources for publication advertising and contributions. In 2017 and 2016, 31% and 28% respectively, of publication advertising revenue was received from organizations that have employees serving on Amputee Coalition's board of directors. Contributions totaling \$236,750 and \$297,976 (with related contribution receivables of \$91,810 and \$98,165) in 2017 and 2016, respectively, were received directly from board members or employers of board members.

4. Investments

The cost and fair value of investments based on quoted market prices, a Level 1 hierarchy, are classified as available for sale and summarized as follows as of December 31, 2017:

| | <u>Cost</u> | <u>Fair Value</u> |
|--|------------------|-------------------|
| Mutual funds investing in domestic equity securities | \$233,273 | \$263,752 |
| Mutual funds investing in fixed income | 112,979 | 110,570 |
| Certificates of deposit | 183,000 | 183,031 |
| Other mutual funds | 20,454 | 19,406 |
| Total investments | <u>\$549,706</u> | <u>\$576,759</u> |

The cost and fair value of investments based on quoted market prices, a Level 1 hierarchy, are classified as available for sale and summarized as follows as of December 31, 2016:

| | <u>Cost</u> | <u>Fair Value</u> |
|---|------------------|-------------------|
| Mutual funds investing in domestic equity securities | \$198,045 | \$203,408 |
| Mutual funds investing in fixed income | 108,349 | 103,034 |
| Mutual funds investing in international equity securities | 14,329 | 13,517 |
| Certificates of deposit | 136,000 | 136,061 |
| Other mutual funds | 16,157 | 13,773 |
| Total investments | <u>\$472,880</u> | <u>\$469,793</u> |

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

5. Property and Equipment

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

| | 2017 | 2016 |
|-------------------------------|-------------------|-------------|
| Equipment and furniture | \$ 159,040 | \$ 146,865 |
| Leasehold improvements | 4,544 | 6,703 |
| | 163,584 | 153,568 |
| Less accumulated depreciation | (117,869) | (78,857) |
| Net property and equipment | \$ 45,715 | \$ 74,711 |

6. Internally Developed Software

The capitalized internally developed software costs and the related accumulated amortization were as follows as of December 31:

| | 2017 | 2016 |
|-----------------------------------|------------------|-------------|
| Internally developed software | \$120,550 | \$ - |
| Less: accumulated amortization | - | - |
| Net internally developed software | \$120,550 | \$ - |

As of December 31, 2017, the Application is not available for general release to users. As such, no amortization has been recorded related to the capitalized internally developed software costs. From January 1, 2018 through March 31, 2018, Amputee Coalition incurred an additional \$51,700 of costs associated with the development of the Application. On July 1, 2018, the Application will be made available to users. Management of Amputee Coalition estimates the Application will have an economic life of seven years and no gross revenues. As such, effective July 1, 2018, Amputee Coalition will begin amortizing the Application using the straight-line method over the next seven years.

Expected future amortization expense for each of the fiscal periods thereafter is as follows:

| | |
|------------|------------------|
| 2018 | \$ 12,304 |
| 2019 | 24,607 |
| 2020 | 24,607 |
| 2021 | 24,607 |
| 2022 | 24,607 |
| Thereafter | 61,518 |
| Total | \$172,250 |

Amputee Coalition of America, Inc.
Notes to Financial Statements (continued)

7. Employee Benefit Plan

Amputee Coalition has a defined contribution retirement plan that covers all employees who meet eligibility requirements. After one year of employment, Amputee Coalition contributes 5% of each participant's compensation, as defined, to the plan. Retirement plan expense was \$49,683 and \$39,109 during 2017 and 2016, respectively.

8. Operating Lease

Amputee Coalition leases certain office space and equipment under leases classified as operating that mature during 2018. Total lease expense for office space and equipment was \$84,829 and \$83,411, respectively for 2017 and 2016.

Amputee Coalition of America, Inc.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Entity Identifying Number | Federal Expenditures |
|--|---------------------------|---------------------------------|-------------------------|
| US Department of Health and Human Services: | | | |
| Direct Program: | | | |
| Limb Loss | 93.325 | 90LL0002-01-00 | \$ 789,310 |
| Limb Loss | 93.325 | 90LL0002-02-01 | <u>1,829,160</u> |
| Total Expenditures of Federal Awards | | | <u>\$2,618,470</u> |

Notes to the Schedule of Expenditures of Federal Awards

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award related grant activity of Amputee Coalition of America, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Amputee Coalition did not elect to use the 10% de minimis indirect cost rate. Instead, Amputee Coalition elected to enter into a Nonprofit Rate Agreement with the US Department of Health and Human Services for a fixed 24% indirect cost rate.

Report of Independent Auditors 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*

Board of Directors
Amputee Coalition of America, Inc.

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 Amputee Coalition of America, Inc. (Amputee Coalition), which comprise the statement of financial position as of December 31, 2017, 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 June 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Amputee Coalition'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 Amputee Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of Amputee Coalition'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 the 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.

Board of Directors
Amputee Coalition of America, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amputee Coalition'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 the 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 Amputee Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amputee Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

June 29, 2018
Knoxville, Tennessee



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Amputee Coalition of America, Inc.

Report on Compliance for Each Major Federal Program

We have audited Amputee Coalition of America, Inc.'s (Amputee Coalition) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Amputee Coalition's major federal program for the year ended December 31, 2017. Amputee Coalition's major federal program is identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Amputee Coalition's major federal program 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 the audit requirements of Title 2 *U.S. Code of Federal Awards Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Amputee Coalition'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 Amputee Coalition's major federal program. However, our audit does not provide a legal determination of Amputee Coalition's compliance.

Opinion on Major Federal Program

In our opinion, Amputee Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on its major federal program for the year ended December 31, 2017.

Board of Directors
Amputee Coalition of America, Inc.

Report on Internal Control Over Compliance

Management of Amputee Coalition 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 Amputee Coalition's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Amputee Coalition'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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coulter & Justus, P. C.

Knoxville, Tennessee
June 29, 2018

Amputee Coalition of America, Inc.
 Schedule of Findings and Questioned Costs
 For the year ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: Material weakness(es) identified? | None reported |
| Significant deficiencies(s) identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | None reported |

Federal Awards

| | |
|---|-----------------------|
| Internal control over major programs: Material weakness(es) identified? | None reported |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 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 Section 200.516 of the Uniform Guidance? | None reported |
| Identification of major programs: | CFDA 93.325 Limb Loss |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

Amputee Coalition of America, Inc.
Schedule of Findings and Questioned Costs (continued)

Section II -- Financial Statement Findings

None reported.

Section III -- Federal Award Findings and Questioned Costs

None reported.

Amputee Coalition of America, Inc.
Summary Schedule of Prior Year Audit Findings and Corrective Action Plan
For the year ended December 31, 2017

Summary Schedule of Prior Year Audit Findings

Not applicable as there were no prior year audit findings reported.

Corrective Action Plan for 2016 Findings

Not applicable as there were no 2016 findings reported.