PATIENT SERVICES INCORPORATED

Consolidated Financial Statements

December 31, 2019 and 2018

Keiter
Your Opportunity Advisors

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PATIENT SERVICES, INC.
AND SUBSIDIARY

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Patient Services, Inc.
Midlothian, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Patient Services, Inc. and its subsidiary (collectively, the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, cash flows, and functional expenses for the years 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patient Services, Inc. and its subsidiary as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Keiter

February 24, 2020
Glen Allen, Virginia

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements of Financial Position
December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 62,122,954	$ 50,647,928
Contribution and contract fees receivable, net	38,594,118	47,292,410
Other prepaid expenses	92,143	447,833
Total current assets	100,809,215	98,388,171
PROPERTY AND EQUIPMENT		
Land	291,100	291,100
Buildings	2,612,430	2,612,430
Vehicle	55,000	55,000
Furniture and equipment	635,964	635,964
	3,594,494	3,594,494
Less accumulated depreciation	1,574,966	1,474,088
Net property and equipment	2,019,528	2,120,406
OTHER ASSETS		
Life Insurance Annuity	1,352,046	1,164,268
Investments	6,167,887	5,362,008
Deposits	2,000	2,000
Total other assets	7,521,933	6,528,276
Total assets	$ 110,350,676	$ 107,036,853

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements of Financial Position, Continued
December 31, 2019 and 2018

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 103,540	$ 94,815
Accrued expenses	3,797,441	733,294
Total current liabilities	3,900,981	828,109
NET ASSETS		
Without donor restrictions	11,226,467	13,728,784
With donor restrictions	95,223,228	92,479,960
Total net assets	106,449,695	106,208,744
Total liabilities and net assets	$ 110,350,676	$ 107,036,853

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Resitrctions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions and contract fees	$ 6,773,324	$ 62,086,543	$ 68,859,867	$ 8,111,681	$ 63,715,869	$ 71,827,550
Interest income	695,074	-	695,074	236,733	-	236,733
Miscellaneous income	4,326	-	4,326	57,442	-	57,442
Gain (loss) on investments and life insurance annuity	869,274	-	869,274	(392,180)	-	(392,180)
	8,341,998	62,086,543	70,428,541	8,013,676	63,715,869	71,729,545
Net assets released from restrictions	56,387,811	(56,387,811)	-	71,828,591	(71,828,591)	-
Total revenues and other support	64,729,809	5,698,732	70,428,541	79,842,267	(8,112,722)	71,729,545
EXPENSES AND LOSSES						
Program services	58,725,647	-	58,725,647	74,292,257	-	74,292,257
Fund-raising	661,739	-	661,739	957,678	-	903,932
Management and general	4,674,133	-	4,674,133	5,191,764	-	5,245,510
Total functional expenses	64,061,519	-	64,061,519	80,441,699	-	80,441,699
Uncollectible pledge expense	170,606	2,955,464	3,126,070	294,006	3,255,000	3,549,006
Loss from legal settlement (Note 8)	3,000,000	-	3,000,000	-	-	-
Total expenses and losses	67,232,125	2,955,464	70,187,589	80,735,705	3,255,000	83,990,705
Change in net assets	(2,502,316)	2,743,268	240,952	(893,438)	(11,367,722)	(12,261,160)
NET ASSETS						
Beginning of year	13,728,784	92,479,960	106,208,744	14,622,222	103,847,682	118,469,904
End of year	$ 11,226,467	$ 95,223,228	$ 106,449,695	$ 13,728,784	$ 92,479,960	$ 106,208,744

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 240,952	$ (12,261,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	100,877	123,357
Gain on disposal of property and equipment	-	(4,357)
Interest income reinvested	(124,383)	(123,016)
(Gain) loss on life insurance annuity	(187,778)	114,274
(Gain) loss on investments	(681,496)	400,922
Changes in assets and liabilities:		
Contributions and contract fees receivable, net	8,698,292	14,962,552
Other prepaid expenses	355,690	2,423,052
Accounts payable	8,725	(79,913)
Accrued expenses	3,064,147	(194,340)
Net cash provided by operations	11,475,026	5,361,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(55,000)
Purchase of investments, net	-	(122,501)
Proceeds from sale of property and equipment	-	42,000
Net cash used in investing activities	-	(135,501)
Net increase in cash and cash equivalents	11,475,026	5,225,870
CASH AND CASH EQUIVALENTS		
Beginning of year	50,647,928	45,422,058
End of year	$ 62,122,954	$ 50,647,928

See accompanying notes to consolidated financial statements.

PATIENT SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Fund - Raising	Management and General	Total	Program Services	Fund - Raising	Management and General	Total
DIRECT EXPENSES								
Direct Payment Assistance	$ 56,387,812	$ -	$ -	$ 56,387,812	$ 71,828,590	$ -	$ -	$ 71,828,590
INDIRECT EXPENSES								
Advertising	-	20	-	20	-	2,109	-	2,109
Bank Fees	180	-	20	200	375	-	6	381
Computer network	92,170	22,098	106,543	220,811	10,896	4,822	209,261	224,979
Conferences and travel	12,155	59,737	112,103	183,995	9,264	114,240	196,393	319,897
Continuing education	484	-	2,695	3,179	7,944	704	533	9,181
Depreciation	74,851	4,990	21,036	100,877	122,281	-	1,076	123,357
Dues and subscriptions	1,783	1,528	52,092	55,403	1,954	12,975	49,980	64,909
Gala expenses	-	-	-	-	-	53,746	53,747	107,493
Gifts and incentives	613	258	20,206	21,077	708	2,974	24,662	28,344
Insurance	37,318	2,488	10,107	49,913	47,345	-	660	48,005
Legal and accounting	48,945	-	1,491,881	1,540,826	61,750	-	655,998	717,748
Meals	258	2,041	42,011	44,310	562	5,255	65,515	71,332
Miscellaneous expense	-	-	-	-	1,000	-	-	1,000
Occupancy	125,267	8,351	34,729	168,347	172,734	-	1,000	173,734
Office expense	86,778	13,579	15,480	115,837	103,642	38,787	17,121	159,550
Patient Representation	24,130	-	-	24,130	36,848	-	-	36,848
Public Relations	-	2,640	138,308	140,948	-	2,610	211,193	213,803
Registration fees	7,345	-	-	7,345	12,083	-	-	12,083
Salaries and benefits	1,597,301	504,791	1,850,579	3,952,671	1,591,936	687,958	2,658,422	4,938,316
Contractors and outside services	58,644	36,619	772,261	867,524	81,899	27,604	1,037,296	1,146,799
Taxes and licenses	12,617	-	-	12,617	20,508	-	523	21,031
Telecommunications	156,996	2,599	4,082	163,677	179,938	3,894	8,378	192,210
Total indirect expenses	2,337,835	661,739	4,674,133	7,673,707	2,463,667	957,678	5,191,764	8,613,109
TOTAL FUNCTIONAL EXPENSES	$ 58,725,647	$ 661,739	$ 4,674,133	$ 64,061,519	$ 74,292,257	$ 957,678	$ 5,191,764	$ 80,441,699

See accompanying notes to consolidated financial statements.

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Patient Services, Inc. ("PSI") is a national non-profit organization based in Midlothian, Virginia. The Organization provides financial support to patients and families effected by Alpha 1 Antitrypsin Deficiency, Breast Cancer Screening, Chronic Myelogenous Leukemia, Circadian Rhythm Disorders, Complement Mediated Diseases, Corneal Crystal Accumulation in Cystinosis, Cystic Fibrosis, Fabry Disease, Gastrointestinal Stromal Tumors, Gaucher's Disease, Hemophilia, Hereditary Angioedema (C1 Inhibitor Deficiencies), Hypoparathyroidism, Idiopathic Pulmonary Fibrosis, Inhibitors in Hemophilia, Kidney Stones, Lambert-Eaton Myasthenic Syndrome (LEMS), MPS 1, Pompe Disease, Primary Immune Deficiency Diseases, Pseudobulbar Affect (PBA) and Underlying Neurological Diseases, von Willebrand Disease, Pulmonary Hypertension, Sickle Cell Disease, and Lysosomal Acid Lipase Deficiency.

PSI formed Accesia, Inc ("Accesia"), as a wholly-owned taxable subsidiary, with its primary office located in Virginia. Accesia was established as a Virginia stock corporation on April 25, 2012. Its purpose is to provide certain services to third parties in connection with the administration of patient assistant programs. Accesia is structured to comply, and operates in compliance with, relevant provisions of the Social Security Act, including the maintenance of an "ethical wall" between PSI and Accesia designed to ensure PSI's independence in the operation of its patient assistance programs. During 2015, the Board of Directors decided to suspend operations of Accesia. As of December 31, 2019, Accesia operations remain suspended.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of PSI and Accesia (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Presentation: The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period in which incurred rather than when paid. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets and revenues of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets which are stipulated by donors for specific purposes, use restrictions, or are restricted in perpetuity. These assets currently consist of contributions. As of December 31, 2019 and 2018, total net assets with donor restrictions of $95,223,228 and $92,479,960, respectively, are restricted by donors for program purposes in the amount of $90,780,428 and $87,858,730, respectively, and restricted by time for administrative purposes in the amount of $4,442,800 and $4,621,230, respectively.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers demand deposits and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments: Investments are reported at fair value in the consolidated statements of financial position. Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Promises to Give: Contributions are promises to give to the Organization that are, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment: Property and equipment are recorded at cost if purchased or fair value if contributed. Depreciation is computed using an accelerated method for furniture and equipment and the straight-line method for buildings and improvements over estimated useful lives as follows:

Furniture and equipment	5 – 15 years
Buildings	7 – 39 years
Vehicle	5 years

New acquisitions of property and equipment having a cost of less than $2,500, or which are not expected to last for more than a year, are expensed in the year of acquisition. Depreciation expense was $100,877 in 2019 and $123,357 in 2018.

In accordance with GAAP, management reviews the recorded value of the property for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Contributions and Contract Fees: Fees for contracted services are recorded in the year the grant is made. Contract fees receivable consist primarily of amounts due from the contributing drug companies. Receivables are recorded at the net realizable value, which approximates their fair value, and reported net of allowance for doubtful accounts. Management reviews receivables on a regular basis and accounts are written-off once deemed uncollectible. The allowance for doubtful accounts balance was $1,000,000 at December 31, 2019. There was no allowance for doubtful accounts at December 31, 2018.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on recording organizational expenses in department categories that align with these functions. Direct program expenses represent payments for health care services such as copayments and premiums made to or on behalf of patients. Indirect program expenses include the work of patient service representatives, and associated costs most directly involved with delivering financial assistance and support services to patients. Fundraising expenses include the work of the Development team. Management, General, and Administrative expenses reflect a variety of business functions including Information Technology, Finance, Human Resources, Advocacy, and Executive Management.

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes: PSI is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3) and is an organization that is not a private foundation under Section 509(A)(1). No income tax was paid during the years ended December 31, 2019 or December 31, 2018. Accesia was formed as a C corporation during 2012. Due to its lack of activity during 2019 and 2018, no provision or liability for income taxes has been included in the accompanying consolidated financial statements.

Management has evaluated the effect of accounting guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain tax positions at December 31, 2019 or 2018. The Organization is not currently under audit by any tax jurisdiction.

Advertising: Advertising costs are expensed as incurred and are included in functional expenses in the accompanying consolidated statements of activities. Advertising expense was $20 in 2019 and $2,109 in 2018.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Newly Adopted Accounting Standard: Effective January 1, 2019, the Organization adopted Accounting Standard Update ("ASU") No. 2018-08 which clarifies guidance around determining whether a grant or contribution received or made should be accounted for as an exchange transaction or as a contribution. The Organization adopted this ASU using the modified retrospective method. Prior periods were not restated. The Organization's revenues for the year ended December 31, 2019 and its receivables, assets and liabilities as of December 31, 2019 were not materially different from what would have been recognized under the previous guidance.

In May 2014, the FASB issued new guidance over revenue recognition which eliminates all transaction and industry specific accounting principles and replace them with a unified, five step approach. The new standard is effective for periods beginning after December 15, 2018, and will permit the use of either the retrospective reporting for previous periods or the cumulative effect transition method. The Organization has adopted this ASU for 2019. The Organization's revenues for the year ended December 31, 2019 and its receivables, assets and liabilities as of December 31, 2019 were not materially different from what would have been recognized under the previous guidance.

Subsequent Events: Management has evaluated subsequent events through February 24, 2020, the date the consolidated financial statements were available for issuance, and, except for the legal settlement described at Note 8, has determined that no additional disclosure is necessary.

NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS

The Organization has adopted Financial Accounting Standards Board ("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 flows models, and similar techniques

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 used 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.

Stocks and bonds – Valued at the closing price as reported on the active market on which stocks or bonds are traded.

Money market funds: Valued at cost plus accrued interest.

NOTE 2. FAIR VALUE MEASUREMENTS OF ASSETS, CONTINUED

Annuity contracts - Valued based on summation of values assigned to underlying investments in equity and fixed income securities, most of which are traded on an active market.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2019, based on the level of input utilized to measure fair value:

Assets	Level 1	Level 3	Total
Investments:			
Stocks	$ 86,212	$ -	$ 86,212
Bonds	57,475	-	57,475
Money market funds	6,024,200	-	6,024,200
Annuity contracts	-	1,352,046	1,352,046
Total assets at fair value	$ 6,167,887	$ 1,352,046	$ 7,519,933

There were no assets or liabilities measured using Level 2 criteria at December 31, 2019.

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis at December 31, 2018, based on the level of input utilized to measure fair value:

Assets	Level 1	Level 3	Total
Investments:			
Stocks	$ 3,217,205	$ -	$ 3,217,205
Bonds	2,144,803	-	2,144,803
Annuity contracts	-	1,164,268	1,164,268
Total assets at fair value	$ 5,362,008	$ 1,164,268	$ 6,526,276

There were no assets or liabilities measured using Level 2 criteria at December 31, 2018.

Inputs used to estimate the value of level 3 assets (annuity contracts) include third-party pricing sources. The value is reflective of surrender charges and interest adjustments as specified in the annuity contract. At December 31, 2019 and 2018, there were no unfunded commitments or redemption restrictions on the Organization's level 3 assets.

NOTE 3. LEASES

The Organization has entered into various leases for office space and office equipment that originally ranged in duration from three to five years. Rent expense was $69,251 for 2019 and $70,550 for 2018. Future minimum lease payments at December 31, 2019 were:

Year	Amount
2020	$ 53,818
2021	53,422
2022	27,602
2023	1,942
	$ 136,784

NOTE 4. FUND-RAISING EXPENDITURES

The Organization solicits funds from organizations and individuals within the chronic illness community. Contributions are solicited through attending conferences, direct contact, literature mailings and other methods. Fund-raising expenditures totaled $661,739 in 2019 and $957,678 in 2018.

NOTE 5. RETIREMENT PLAN

The Organization sponsors a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, which covers eligible full-time employees after six months of continuous service. Voluntary contributions made by PSI are determined annually. Retirement expense was $92,619 in 2019 and $110,622 in 2018.

NOTE 6. CONCENTRATIONS

The Organization maintains several bank accounts at one bank located in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to $250,000 for substantially all depository accounts. Cash at this institution totaling $62,122,954 as of December 31, 2019 and $50,647,928 as of December 31, 2018 exceeded federally insured limits.

NOTE 6. CONCENTRATIONS, CONTINUED

The Organization maintains investments through one financial institution. The Securities Investor Protection Corporation (SIPC) insures deposits up to $500,000. Investments at this institution totaling $6,167,887 as of December 31, 2019 and $5,362,008 as of December 31, 2018 exceeded the insured limits.

For the year ended December 31, 2019, contributions from four donors comprised approximately 76% of total contributions. In addition, 96% of contract fees receivable are due from three donors as of December 31, 2019.

For the year ended December 31, 2018, contributions from four donors comprised approximately 86% of total contributions. In addition, 93% of contract fees receivable are due from three donors as of December 31, 2018.

NOTE 7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	$ 62,122,954	$ 50,647,928
Investments	6,167,887	5,362,008
Contract fees receivable, net	38,594,118	47,292,410
Total financial assets available within one year	106,884,959	103,302,346
Net assets with donor restrictions	(95,223,228)	(92,479,960)
Total financial assets available within one year after net assets with donor restrictions	$ 11,661,731	$ 10,822,386

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. In addition, the Organization invests excess cash in investments and money market funds. The organization takes a conservative approach to liquidity management in order to ensure funding availability to meet patient assistance needs, which can vary significantly month to month throughout the year.

NOTE 8. LEGAL SETTLEMENT

On January 17, 2020, the Organization reached an agreement with the United States Department of Justice, on behalf of the Office of the Inspector General, to settle certain legal claims filed against the Organization. The settlement agreement requires the Organization to pay $3,000,000 to the Department of Justice and in return the Department of Justice will release the Organization from any further civil or administrative monetary claims. At December 31, 2019, this amount is included in accrued expenses on the 2019 consolidated statement of financial position.

NOTE 9. NEW ACCOUNTING GUIDANCE

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2020, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.