



Financial Statements
Year Ended March 31, 2018



National **Kidney** Foundation®

Financial Statements
Year Ended March 31, 2018

National Kidney Foundation, Inc.

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Independent Auditor's Report

The Board of Directors
National Kidney Foundation, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the National Kidney Foundation, Inc. (the Foundation), which are comprised of the balance sheet as of March 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the National Kidney Foundation, Inc. as of March 31, 2018, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements and our report, dated July 25, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

July 27, 2018

National Kidney Foundation, Inc.

Balance Sheet (with comparative totals for 2017)

March 31,	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,088,139	\$ 1,833,170
Investments, at fair value (Notes 3 and 4)	7,765,967	5,388,505
Investments held under split-interest agreements (Notes 3, 4 and 7)	115,262	130,019
Due from Affiliates, principally share of Affiliate contributions, less allowance for uncollectible amounts of \$142,026 and \$212,090 for 2018 and 2017, respectively (Note 5)	248,181	637,391
Other receivables, less allowance for uncollectible amount of \$323,350 and \$316,568 for 2018 and 2017, respectively (Note 5)	2,098,175	4,708,829
Prepaid expenses and other current assets	1,491,119	1,229,500
Total Current Assets	14,806,843	13,927,414
Investments, at fair value (Notes 3 and 4)	1,938,092	1,252,948
Investments held under split-interest agreements, net of current portion (Notes 3, 4 and 7)	285,144	298,479
Other receivables, net of current portion and discount for present value (Note 5)	246,012	706,660
Prepaid expenses and other assets, net of current portion	114,661	101,238
Fixed assets, net (Note 6)	211,759	204,856
Other investment (Note 16)	1,166,738	-
Beneficial interest in a perpetual trust (Note 8)	2,225,166	-
Total Assets	\$ 20,994,415	\$ 16,491,595
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,427,350	\$ 4,236,539
Line of credit (Note 10)	-	3,700,000
Payable to beneficiaries	35,882	35,882
Deferred income (Note 9)	5,689,249	4,433,655
Total Current Liabilities	8,152,481	12,406,076
Payable to beneficiaries, net of current portion	285,144	298,479
Deferred income, net of current portion (Note 9)	224,930	169,217
Accrued compensation	136,567	114,324
Deferred rent	1,528,601	1,250,692
Total Liabilities	10,327,723	14,238,788
Commitments (Notes 7, 9, 10 and 12)		
Net Assets (Deficit) (Notes 14 and 15):		
Unrestricted	3,264,753	(1,686,099)
Temporarily restricted	3,427,969	2,743,810
Permanently restricted	3,973,970	1,195,096
Total Net Assets	10,666,692	2,252,807
Total Liabilities and Net Assets	\$ 20,994,415	\$ 16,491,595

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Activities (with comparative totals for 2017)

Year ended March 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Support and Revenue					
Support from the public:					
Received directly - contributions	\$ 10,813,488	\$ 750,530	\$ -	\$ 11,564,018	\$ 7,497,632
Received indirectly - share of affiliate contributions	1,491,732	-	-	1,491,732	1,751,424
Received indirectly - contributions	639,010	40,250	-	679,260	627,600
	12,944,230	790,780	-	13,735,010	9,876,656
Revenue from sales of donated vehicles	3,278,859	-	-	3,278,859	3,220,620
Less cost of sales	1,042,245	-	-	1,042,245	1,055,217
Net Revenue from Sales of Donated Vehicles	2,236,614	-	-	2,236,614	2,165,403
Revenue from special events	12,986,175	-	-	12,986,175	13,349,783
Less direct benefit to donor costs	1,295,806	-	-	1,295,806	1,443,188
Net Revenue from Special Events	11,690,369	-	-	11,690,369	11,906,595
Total Support from the Public	26,871,213	790,780	-	27,661,993	23,948,654
Program service support and fees	11,078,733	-	-	11,078,733	11,009,109
Royalties	2,245,318	-	-	2,245,318	2,379,634
Dues - professional members	740,521	-	-	740,521	653,754
Investment income, including realized and unrealized net gains	1,279	643,872	38,298	683,449	694,038
Other, net	671,850	-	-	671,850	798,745
Net assets released from restrictions	826,883	(826,883)	-	-	-
Total Revenue	15,564,584	(183,011)	38,298	15,419,871	15,535,280
Total Support and Revenue	\$ 42,435,797	\$ 607,769	\$ 38,298	\$ 43,081,864	\$ 39,483,934

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Activities (with comparative totals for 2017)

Year ended March 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Expenses					
Program services:					
Research	\$ 2,023,140	\$ -	\$ -	\$ 2,023,140	\$ 2,336,113
Public health education	3,224,549	-	-	3,224,549	3,427,041
Professional education	11,914,204	-	-	11,914,204	12,701,016
Patient services	3,766,563	-	-	3,766,563	4,147,462
Community services and assistance to affiliates	9,592,784	-	-	9,592,784	10,413,052
Total Program Services	30,521,240	-	-	30,521,240	33,024,684
Supporting services:					
Fundraising	3,373,886	-	-	3,373,886	3,272,587
Management and general	3,413,517	-	-	3,413,517	4,229,679
Total Supporting Services	6,787,403	-	-	6,787,403	7,502,266
Total Expenses	37,308,643	-	-	37,308,643	40,526,950
Inherent contribution (Note 15)	(176,302)	76,390	2,740,576	2,640,664	-
Change in Net Assets	4,950,852	684,159	2,778,874	8,413,885	(1,043,016)
Net Assets (Deficit), beginning of year	(1,686,099)	2,743,810	1,195,096	2,252,807	3,295,823
Net Assets, end of year	\$ 3,264,753	\$ 3,427,969	\$ 3,973,970	\$ 10,666,692	\$ 2,252,807

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Cash Flows (with comparative totals for 2017)

Year ended March 31,	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 8,413,885	\$ (1,043,016)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	144,648	141,849
Allowance for uncollectible accounts	(63,282)	(26,194)
Net realized and unrealized gains on investments	(486,342)	(538,429)
Donated stocks	(2,669,284)	(165,402)
Contribution of beneficial interest in charitable remainder trust	(2,186,868)	-
Contribution of other investment	(1,166,738)	-
(Increase) decrease in assets:		
Due from affiliates	389,210	100,954
Other receivables	3,134,584	(2,625,604)
Prepaid expenses and other current assets	(275,042)	(281,547)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,809,189)	638,296
Deferred income	1,311,307	(966,205)
Deferred rent	277,909	749,162
Payable to beneficiaries	(13,335)	(13,075)
Accrued compensation	22,243	(67,706)
Net Cash Provided by (Used in) Operating Activities	5,023,706	(4,096,917)
Cash Flows from Investing Activities		
Purchases of fixed assets	(151,551)	(65,630)
Proceeds from sale of investments	511,543	2,886,469
Purchases of investments	(428,729)	(2,635,405)
Net Cash (Used in) Provided by Investing Activities	(68,737)	185,434
Cash Flows from Financing Activities		
Proceeds from line of credit	-	3,700,000
Repayments on line of credit	(3,700,000)	-
Net Cash (Used in) Provided by Financing Activities	(3,700,000)	3,700,000
Net Increase (Decrease) in Cash and Cash Equivalents	1,254,969	(211,483)
Cash and Cash Equivalents, beginning of year	1,833,170	2,044,653
Cash and Cash Equivalents, end of year	3,088,139	1,833,170
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 78,268	\$ 48,412

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Functional Expenses (with comparative totals for 2017)

Year ended March 31,

	Program Services						Supporting Services				Total	
	Research	Public Health Education	Professional Education	Patient Services	Community Services and Assistance to Affiliates	Total	Fundraising	Management and General	Special Events, Direct Benefit Costs and Donated Vehicles Costs and Expenses	Total Supporting Services	2018	2017
Salaries	\$ 601,862	\$ 1,895,736	\$ 4,365,318	\$ 1,716,003	\$ 4,864,092	\$ 13,443,011	\$ 503,780	\$ 2,013,665	\$ -	\$ 2,517,445	\$ 15,960,456	\$ 17,820,748
Retirement benefits	12,395	39,042	89,901	35,340	100,173	276,851	10,375	41,470	-	51,845	328,696	459,221
Payroll taxes	50,543	159,201	366,592	144,107	408,478	1,128,921	42,307	169,104	-	211,411	1,340,332	1,367,489
Other employee benefits	45,776	97,534	639,025	193,777	592,426	1,568,538	25,919	103,602	-	129,521	1,698,059	1,860,515
Awards and grants	547,135	-	-	-	-	547,135	-	-	-	-	547,135	721,498
Patient financial assistance	-	-	-	463,153	-	463,153	-	-	-	-	463,153	699,754
Professional fees and contract services	494,889	125,302	2,567,812	204,797	352,950	3,745,750	137,569	133,097	218,493	489,159	4,234,909	4,380,120
Office supplies and expenses	13,018	46,249	117,325	73,365	500,075	750,032	39,096	48,620	102,770	190,486	940,518	1,043,256
Telephone	11,550	40,429	65,889	29,903	85,879	233,650	11,053	42,944	-	53,997	287,647	372,533
Postage and shipping	3,615	12,942	60,285	69,984	96,427	243,253	264,791	13,500	-	278,291	521,544	630,462
Building occupancy	125,234	440,335	634,732	294,885	794,413	2,289,599	117,016	467,727	-	584,743	2,874,342	2,195,844
Equipment repairs and maintenance	35,453	124,656	186,455	83,934	224,856	655,354	248,943	132,411	-	381,354	1,036,708	962,140
Insurance	10,536	37,046	51,030	25,901	86,213	210,726	9,845	39,351	-	49,196	259,922	222,399
Printing and publications	1,080	4,216	797,382	51,719	73,470	927,867	228,729	4,032	-	232,761	1,160,628	1,632,022
Marketing and promotion	6,283	31,092	80,703	30,576	334,979	483,633	504,192	23,466	-	527,658	1,011,291	1,196,061
Conferences and meetings	24,902	36,247	1,327,254	192,423	693,244	2,274,070	969,663	38,292	974,543	1,982,498	4,256,568	4,517,779
Meetings and travel	8,085	26,281	343,515	77,303	123,268	578,452	74,519	27,260	-	101,779	680,231	700,012
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	1,042,245	1,042,245	1,042,245	1,055,217
Dues and subscriptions	5,226	18,376	38,635	12,873	79,172	154,282	9,702	19,519	-	29,221	183,503	188,565
Cost of goods sold	-	-	46,490	-	-	46,490	-	-	-	-	46,490	41,069
Miscellaneous expenses	19,191	67,480	105,026	51,529	142,326	385,552	170,438	71,679	-	242,117	627,669	816,802
	2,016,773	3,202,164	11,883,369	3,751,572	9,552,441	30,406,319	3,367,937	3,389,739	2,338,051	9,095,727	39,502,046	42,883,506
Depreciation and amortization	6,367	22,385	30,835	14,991	40,343	114,921	5,949	23,778	-	29,727	144,648	141,849
	2,023,140	3,224,549	11,914,204	3,766,563	9,592,784	30,521,240	3,373,886	3,413,517	2,338,051	9,125,454	39,646,694	43,025,355
Less direct benefit costs	-	-	-	-	-	-	-	-	(1,295,806)	(1,295,806)	(1,295,806)	(1,443,188)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(1,042,245)	(1,042,245)	(1,042,245)	(1,055,217)
Total Expenses Reported by Function in the Statement of Activities	\$ 2,023,140	\$ 3,224,549	\$ 11,914,204	\$ 3,766,563	\$ 9,592,784	\$ 30,521,240	\$ 3,373,886	\$ 3,413,517	\$ -	\$ 6,787,403	\$ 37,308,643	\$ 40,526,950
Current Year Percentages (%)	5.42	8.64	31.93	10.10	25.71	81.81	9.04	9.15	-	18.19	100%	
Last Year's Percentages (%)	5.76	8.46	31.34	10.23	25.69	81.48	8.08	10.44	-	18.52		100%

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Notes to Financial Statements

1. Nature of Organization

The National Kidney Foundation, Inc. (the Foundation), headquartered in New York City, is dedicated to the awareness, prevention, and treatment of kidney disease for hundreds of thousands of healthcare professionals, millions of patients and their families, and tens of millions of Americans at risk. The Foundation has a chartered network of 10 affiliated organizations (Affiliates) and 29 regional offices as of March 31, 2018 across the country to implement its mission to prevent kidney and urinary tract diseases, improve the health and well-being of individuals and families affected by these diseases, and increase the availability of all organs for transplantation. Founded in 1950 to address the critical impact of the diseases referred to above, the Foundation conducts nationwide educational campaigns about the role of the kidney in maintaining overall health, the importance of early detection, and organ donation and transplantation. Under the provisions of a charter with the Foundation, each Affiliate must meet certain requirements regarding organizational structure, program services, and fundraising.

On June 15, 2017, the Board of Directors of the National Kidney Foundation of Maryland, Inc. (NKF Maryland) voted to become a division of the Foundation. On August 31, 2017, all activities of NKF Maryland ceased with the exceptions of administrative actions necessary to terminate NKF Maryland's charter and distribute the remaining assets to the Foundation, all of which were accomplished on or before March 31, 2018.

On December 15, 2016, the Board of Directors of the National Kidney Foundation of West Tennessee (NKF West Tennessee) voted to become a division of the Foundation. On July 31, 2017, all activities of NKF West Tennessee ceased with the exception of administrative actions necessary to terminate NKF West Tennessee's charter and distribute the remaining assets to the Foundation, all of which were accomplished on or before March 31, 2018.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a balance sheet and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- (i) *Permanently Restricted* - These are net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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- (ii) *Temporarily Restricted* - These are net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.
- (iii) *Unrestricted* - These are the portion of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) Cash and Cash Equivalents

The Foundation considers highly liquid financial instruments, excluding cash held in trust or held as part of the investment portfolio, with maturities of three months or less when purchased to be cash equivalents.

From time to time, the Foundation's cash balances exceed the Federal Depository Insurance Coverage (FDIC) limit. The Foundation does not believe it is exposed to any significant risk from cash and cash equivalents.

(d) Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement," established a hierarchy for inputs used in measuring fair value that maximize the use of observable inputs and minimize the use of unobservable inputs, requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations are based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(e) Investment Income

Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets. Income earned from permanently restricted investments, including realized and unrealized gains and losses, is recorded as temporarily restricted and then released to unrestricted through appropriations made in accordance with the Foundation's spending policy.

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(f) Due From Affiliates and Share of Affiliate Contributions

The Foundation and its Affiliates have agreements under which a portion of contributions received by Affiliates is shared with the Foundation. Amounts received but not remitted by Affiliates are recorded by the Foundation as due from Affiliates in the balance sheet.

(g) Fixed Assets

Fixed assets are stated on the basis of cost or, as to donated assets, fair value on the date contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the remaining period of the lease or their estimated useful lives.

Fixed Assets	Useful Lives
Furniture and equipment	5-7 years
Capitalized software	3-5 years

(h) Impairment of Long-Lived Assets

The Foundation follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires the Foundation to review long-lived assets, including both fixed and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended March 31, 2018 and 2017, there has been no such loss.

(i) Deferred Income

Deferred income consists primarily of amounts received in advance for events, contracted programs, membership dues, and journal subscriptions that apply to future periods. Membership dues and subscription revenue are recognized as revenue over the respective membership and subscription periods. Revenues related to contracted programs are recognized upon expended efforts or progression of the program in accordance with the applicable agreement.

(j) Deferred Rent

Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet.

(k) Revenue

(i) Contributions

Contributions are recorded as revenue when received, or pledged unconditionally, at their net present value. Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily

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restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(ii) Donated Vehicles

The Foundation uses a third-party to administer its donated vehicles program. Donated vehicles are reported at the gross sales price on the statement of activities, which represents the fair market value at the time of the gift. There is no significant inventory of donated vehicles at any time during the fiscal year since the sale transaction mainly occurs immediately after the vehicle donation.

(iii) Royalties

The Foundation receives royalties on several of its publications that are provided to its medical professional members. The Foundation uses a third party for the management and distribution of these publications. Royalty revenue is recorded gross when earned.

(iv) Membership Dues and Subscriptions

Membership dues and subscriptions are recognized as revenue over the applicable membership and subscription periods.

(v) Program Service Fees

Program service fees represent revenue recognized on Foundation programs. Revenue is recognized upon expended efforts or progression of the program, in accordance with the applicable agreement.

(vi) Other, Net

Other, net is comprised of pass-through grants provided to patients, sales of educational materials and rebates, and commissions. Revenue is recognized when earned by the Foundation.

(l) Donated Services

The Foundation's volunteers, comprised of physicians, allied health professionals, business and community leaders, kidney patients and their families, and others committed to the Foundation's mission, have made significant contributions of their time to the Foundation's programs and supporting services. The value of such volunteer services has not been reflected in the accompanying financial statements as it does not meet the criteria for revenue recognition as stated in ASC 958, "Not-for-Profit Entities."

(m) Components of Program Services

(i) Research

The Foundation sponsors research in the form of grants and scientific conferences, which seeks to answer key questions relating to kidney disease. Grants are provided for studies aimed at finding treatments or to prevent kidney disease, as well as to improve the quality of life and long-term outlook for people with chronic kidney disease. Scientific conferences bring together experts to address the clinical importance of emerging science related to specific issues and controversies in kidney disease.

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(ii) Public Health Education

The Foundation's public health education efforts strive to teach the public about kidney-related issues such as causes of kidney disease and the importance of early detection. These efforts are made through the Foundation's legislative efforts, disbursement of educational brochures to the public, Your Kidneys and You educational program, the Big Ask Big Give program, online health guides on the Foundation's website, and awareness through media outreach.

(iii) Professional Education

The Foundation's program provides medical and health care professionals with tools needed to provide optimum patient care. Products provided include toolkits, best practices, evidence-based practice guidelines, medical journals, and professional education conferences.

(iv) Patient Services

The patient services programs include initiatives to improve patients' health and quality of life. Programs include free screening for individuals at risk through the Kidney Early Evaluation Program (KEEP) Healthy, newsletters and a magazine, patient empowerment programs, the NKF Cares Help Line, and NKF Peers program.

(v) Community Services and Program Assistance to Affiliates

The Foundation conducts programs to detect disease, develops plans to improve community health practices, and conducts rehabilitation programs. In addition, the Foundation provides consultation, guidance, training, and leadership to its Affiliates.

(n) Functional Allocation of Expenses

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications primarily on the basis of the employees' time allocations.

(o) Income Taxes

The Foundation is a not-for-profit voluntary health agency as described in Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation is exempt from Federal income taxes under Section 501(a) of the Code and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code. The Foundation also is exempt from New York State and City income taxes. Contributions to the Foundation are deductible for income tax purposes to the maximum extent allowed under the Code. There was no unrelated business income tax payable for the years ended March 31, 2018 and 2017.

The Foundation has not taken an uncertain tax position that would require provision of a liability under ASC 740, "Income Taxes." Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize the financial statement effects for unrecognized tax positions for the years ended March 31, 2018 and 2017. The Foundation has filed for, and received, income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed IRS Form 990, as required, and all

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other applicable returns in jurisdictions when it is required. For the years ended March 31, 2018 and 2017, there were no interest or penalties recorded or included in the financial statements. The Foundation believes it is no longer subject to income tax examinations for the years prior to 2015, which is the statute of limitation look back period.

(p) Endowment Funds

The Foundation's endowment fund consists of investments that are permanently restricted. The Foundation follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010.

The following applies to the endowment fund:

Interpretation of Relevant Law

The Finance Committee of the Board of Directors of the Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the endowment fund, (b) the original value of subsequent gifts to the endowment fund, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the endowment fund is classified as temporarily restricted net assets until appropriated in accordance with the Foundation's spending policy.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation's long-term strategy is to target diversified asset allocation that includes both equity and fixed income securities.

The Foundation may appropriate endowment investment returns for distribution each year up to 5% of the ending market value of the endowment fund over the previous three years and considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- Availability of other funding sources
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation/depreciation of investments
- Purposes of donor-restricted endowment fund

National Kidney Foundation, Inc.

Notes to Financial Statements

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Recently Adopted Accounting Pronouncement

- (i) *Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Foundation adopted the provisions of this standard and there was no material effect.

(s) Recently Issued But Not Yet Adopted Accounting Pronouncements

- (i) *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profits*

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented,

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although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

(ii) *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should 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. The FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

(iii) *Accounting for Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation’s fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

(t) *Reclassifications*

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on the net assets or operating results of the prior year.

3. Investments, at Fair Value

The fair value and cost of investments and investments held under split-interest agreements at March 31, 2018 and 2017 consisted of the following:

March 31,

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Assets				
Money market funds	\$ 118,773	\$ 118,773	\$ 188,220	\$ 188,220
Equity securities	2,826,546	3,074,218	309,691	556,653
Mutual funds	4,756,920	5,218,366	4,659,568	4,694,210
Fixed income	965,118	1,624,842	930,468	1,630,868
Other Commodities	68,267	68,267	-	-
	\$ 8,735,624	\$ 10,104,466	\$ 6,087,947	\$ 7,069,951

National Kidney Foundation, Inc.

Notes to Financial Statements

Included in the above are assets held under split-interest agreements in the amount of \$400,406 and \$428,498 as of March 31, 2018 and 2017, respectively.

The Foundation's holdings in equity securities consist principally of equity securities carried at the aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily, and valuation is based on Level 1 inputs within the hierarchy used in measuring fair value. The mutual funds and bonds are traded at quoted prices through the National Securities Clearing Corporation and can be redeemed on a daily basis.

The Foundation invests in various investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheet.

4. Fair Value Measurements

The following tables present the financial instruments as of March 31, 2018 and 2017, by caption on the balance sheet, within the ASC 820 valuation hierarchy defined above:

March 31, 2018

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 118,773	\$ -	\$ -	\$ 118,773
Equity securities	3,074,218	-	-	3,074,218
Mutual funds	5,218,366	-	-	5,218,366
Fixed income	1,624,842	-	-	1,624,842
Other commodities	68,267	-	-	68,267
Beneficial interest in a perpetual trust	-	-	2,225,166	2,225,166
Total Investments	\$ 10,104,466	\$ -	\$ 2,225,166	\$ 12,329,632

March 31, 2017

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 188,220	\$ -	\$ -	\$ 188,220
Equity securities	556,653	-	-	556,653
Mutual funds	4,694,210	-	-	4,694,210
Fixed income	1,630,868	-	-	1,630,868
Total Investments	\$ 7,069,951	\$ -	\$ -	\$ 7,069,951

National Kidney Foundation, Inc.

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As of March 31, 2018, the Foundation's financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) represent the fair value of the Foundation's beneficial interest in a perpetual trust of \$2,225,166. There currently is no market in which beneficial interests in trusts trade; therefore, no observable exit price exists for a beneficial interest in a charitable remainder trust. The Foundation cannot make any investment decisions regarding the assets held by the trusts.

The following tables represent the reconciliations of the beginning and ending balances of the Foundation's financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended March 31, 2018:

<i>Description</i>	Beginning Balance at April 1, 2017	Contributions	Investment Gain	Ending Balance at March 31, 2018
Beneficial interest in a perpetual trust	\$ -	\$ 2,186,868	\$ 38,298	\$ 2,225,166

As of March 31, 2018 and 2017, there were no unfunded commitments nor transfers between levels.

5. Other Receivables

Other receivables as of March 31, 2018 and 2017 are as follows:

<i>March 31,</i>	2018	2017
Pledges receivable, net	\$ 522,530	\$ 2,263,779
Beneficial interest in charitable remainder trusts and estates	510,709	1,729,848
Contractual grants and miscellaneous receivables	1,310,948	1,421,862
	\$ 2,344,187	\$ 5,415,489

Included in other receivables are pledges receivable which represent unconditional promises to give. Pledges receivable are reported at their net present value calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time the pledges are made and equal in duration to the length of time that the pledge is expected to be paid over.

As of March 31, 2018 and 2017, the following represents future payments due:

<i>March 31,</i>	2018	2017
Within one year	\$ 276,518	\$ 1,557,119
Two to five years	251,750	717,750
Discount to present value	(5,738)	(11,090)
	\$ 522,530	\$ 2,263,779

The discount rates used to calculate present value varied from 2.09% to 2.56%.

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Notes to Financial Statements

6. Fixed Assets

At March 31, 2018 and 2017, fixed assets, net, consisted of the following:

<i>March 31,</i>		2018		2017
Property, furniture and equipment	\$	2,403,397	\$	2,238,661
Leasehold improvements		275,435		275,435
Capitalized software		374,588		297,182
		3,053,420		2,811,278
Less: Accumulated depreciation and amortization		(2,841,661)		(2,606,422)
	\$	211,759	\$	204,856

Depreciation and amortization expense for the years ended March 31, 2018 and 2017 was \$144,648 and \$141,849, respectively.

7. Split-Interest Agreements

The Foundation receives contributions under charitable gift annuities. The Foundation has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Foundation or any other purpose other than annuity benefits specified in the agreements. In addition, this portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law. The Foundation agrees to pay a stated return annually to the beneficiaries as long as they live, after which time the remaining assets are available for unrestricted use by the Foundation.

As of March 31, 2018 and 2017, the total assets held under split-interest agreements were \$400,406 and \$428,498, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was \$321,026 and \$334,361 as of March 31, 2018 and 2017, respectively, and was calculated using interest rates ranging from 4.0% to 7.0%.

8. Beneficial Interest in a Perpetual Trust

As a result of an acquisition, the Foundation is now a beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such assets, including the right to income from the trust. Net unrealized gains (loss) related to the beneficial interest is reported as a change in permanently restricted net assets based on explicit donor stipulations.

The Foundation will receive quarterly income distributions for a period of 50 years, which began December 25, 2003, from the trust. During the year ended March 31, 2018, the Foundation recorded \$38,298 of income from the trust, and expects to receive 5% of the market value of trust assets each year thereafter until December 25, 2053. The quarterly distributions received are to be used at the discretion of the Foundation and, therefore, are recorded as unrestricted income when received.

National Kidney Foundation, Inc.

Notes to Financial Statements

9. Deferred Income

Deferred income as of March 31, 2018 and 2017 is as follows:

<i>March 31,</i>		2018		2017
Foundation programs and projects	\$	4,152,860	\$	2,959,953
Membership and subscriptions		585,875		535,048
Special events		1,175,444		1,107,871
	\$	5,914,179	\$	4,602,872

10. Line of Credit

The Foundation has a line of credit with a financial institution of up to \$4,500,000. For the fiscal years ended March 31, 2018 and 2017, interest was charged monthly on the outstanding balance at either the three-month or six-month London Interbank Offered Rate (LIBOR) plus an interest spread of 1.25% per annum, and one-month LIBOR plus an interest spread of 1.25% annum, respectively. The line of credit is secured by the Foundation's investments. As of March 31, 2018 and 2017, the outstanding balance on the line of credit was \$0 and \$3,700,000, respectively. During the year ended March 31, 2017, the Foundation extended its line of credit to October 31, 2018, at which time all outstanding principal and interest amounts will be due and payable.

11. Retirement/Savings Plans

(a) 403(b) Plan

The Foundation has a contributory retirement/savings plan that covers substantially all full-time employees who meet certain age and service requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. Pension expense for the years ended March 31, 2018 and 2017 amounted to approximately \$329,000 and \$443,000, respectively.

(b) 457(f) Plan

The Foundation has a Section 457(f) Senior Staff Flexible Benefit Plan (the Plan) that provides senior management employees with a benefit allowance contributed by the Foundation, which can be used for various benefit options, including a capital accumulation account. At March 31, 2018, the Plan was fully funded and the Foundation did not incur any benefit expense for the current fiscal year. The fully funded liability related to the Plan amounted to approximately \$136,000 and \$114,000 at March 31, 2018 and 2017, respectively, and is included in accrued compensation in the accompanying balance sheet. This liability is fully funded by investments held in the Foundation's portfolio.

National Kidney Foundation, Inc.

Notes to Financial Statements

12. Commitments

(a) Operating Leases

The Foundation occupies premises under non-cancelable operating leases in effect through 2031. Under the terms of these operating leases, rental payments increase annually. However, for financial statement purposes, rent expense is recorded on the straight-line basis over the term of the lease. The difference between rental payments made under the lease and rent expense calculated on the straight-line basis is recorded as deferred rent.

Rent expense approximated \$2,481,871 and \$1,801,000 for the years ended March 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

2019	\$	1,879,314
2020		1,851,305
2021		1,791,365
2022		2,157,799
2023		1,330,561
Thereafter		11,370,811
	\$	20,381,155

(b) Awards and Grants

As of March 31, 2018, the Foundation has entered into conditional multi-year research grant commitments. The Foundation recognizes as expense the portion of the research grant award that becomes unconditional during the fiscal period. The Foundation has expensed research grants of \$547,135 and \$721,498 during the years ended March 31, 2018 and 2017, respectively.

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at March 31, 2018 and 2017:

<i>March 31,</i>	2018		2017	
Young investigators and clinical scientists research	\$	1,560,039	\$	1,700,039
Other research		1,207,312		647,063
Other programs		660,618		396,708
	\$	3,427,969	\$	2,743,810

National Kidney Foundation, Inc.

Notes to Financial Statements

Temporarily restricted net assets were released from restrictions in fiscal 2018 and 2017 as follows:

<i>Year ended March 31,</i>	2018	2017
Young investigators and clinical scientists research	\$ 140,000	\$ 263,862
Other research	76,529	1,020,802
Other programs	610,354	945,173
	\$ 826,883	\$ 2,229,837

14. Permanently Restricted Net Assets

Permanently restricted net assets consist of investments that are to be held in perpetuity. The permanently restricted net assets held at March 31, 2018 and 2017 are to be used as follows:

<i>March 31,</i>	2018	2017
Enuresis research	\$ 174,237	\$ 174,237
Other research	800,723	292,208
Patient services	139,692	95,000
Community services	90,680	90,680
Professional education	11,929	11,929
Public education	97,872	97,872
Undesignated programs	2,658,837	433,170
	\$ 3,973,970	\$ 1,195,096

The following table represents the endowment investment composition by type of fund as of March 31, 2018 and 2017:

<i>March 31,</i>	2018	2017
Cash and cash equivalents	\$ 120,501	\$ 73,640
Equity securities	2,181,687	179,083
Mutual funds	981,457	731,951
Government bonds	675,306	210,422
Other commodities	15,019	-
	\$ 3,973,970	\$ 1,195,096

National Kidney Foundation, Inc.

Notes to Financial Statements

Changes in endowment net assets for the years ended March 31, 2018 and 2017 consisted of the following:

Year ended March 31, 2018

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 234,101	\$ 1,195,096	\$ 1,429,197
Acquired permanently restricted net assets	-	2,778,874	2,778,874
Investment income	157,869	-	157,869
Appropriation of endowment assets for expenditure	(106,736)	-	(106,736)
Endowment Net Assets, end of year	\$ 285,234*	\$ 3,973,970	\$ 4,259,204

Year ended March 31, 2017

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 153,906	\$ 1,195,096	\$ 1,349,002
Investment income	138,523	-	138,523
Appropriation of endowment assets for expenditure	(58,328)	-	(58,328)
Endowment Net Assets, end of year	\$ 234,101*	\$ 1,195,096	\$ 1,429,197

* Balance represents investment income earned on permanently restricted net assets that have yet to be appropriated for expenditure at their respective year-ends.

15. Inherent Contribution

As previously referred to in Note 1, the Foundation acquired control of NKF Maryland and NKF West Tennessee. This transaction was affected without the transfer of consideration, and as such, the net assets of NKF Maryland as of August 31, 2017, and NKF West Tennessee as of July 31, 2017, totaling \$2,640,664, were contributed to the Foundation and were recognized in the accompanying balance sheet. Detail of such transactions were as follows:

Cash	\$ 55,693
Investments	2,786,686
Accounts receivable	14,085
Prepaid expenses	15,405
Fixed assets	108,013
Other assets	6,461
Liabilities	(345,679)
Net Assets Acquired	\$ 2,640,664

National Kidney Foundation, Inc.

Notes to Financial Statements

16. Other Investment

In 2018, the Foundation received a bequest from a trust that included a 20% interest in a realty holding corporation. The investment is accounted for using the equity method of accounting. As of March 31, 2018, the Foundation recorded the interest in the private company at an estimated value of \$1,166,738.

17. Subsequent Events

The Foundation's management has performed subsequent event procedures through July 27, 2018, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.