



Financial Statements
Year Ended March 31, 2019



National **Kidney** Foundation®

Financial Statements
Year Ended March 31, 2019

National Kidney Foundation, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements	
Balance Sheet as of March 31, 2019	5
Statement of Activities for the Year Ended March 31, 2019	6-7
Statement of Cash Flows for the Year Ended March 31, 2019	8
Statement of Functional Expenses for the Year Ended March 31, 2019	9
Notes to Financial Statements	10-25



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, 2019, 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, 2019, 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 2018 financial statements and our report, dated July 27, 2018, 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, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

August 8, 2019

National Kidney Foundation, Inc.

Balance Sheet (with comparative totals for 2018)

<i>March 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,873,808	\$ 3,088,139
Investments, at fair value (Note 4)	9,108,216	7,765,967
Investments held under split-interest agreements (Notes 4 and 7)	138,513	115,262
Due from Affiliates, principally share of Affiliate contributions, less allowance for uncollectible amounts of \$229,626 and \$142,026 for 2019 and 2018, respectively (Note 5)	446,131	248,181
Other receivables, less allowance for uncollectible amount of \$386,101 and \$323,350 for 2019 and 2018, respectively (Note 5)	1,546,645	2,098,175
Prepaid expenses and other assets	1,325,472	1,491,119
Total Current Assets	17,438,785	14,806,843
Long-term Investments, at fair value (Note 4)	3,145,814	3,104,830
Investments Held Under Split-Interest Agreements, net of current portion (Notes 4 and 7)	330,840	285,144
Other Receivables, net of current portion and discount for present value (Note 5)	19,592	246,012
Prepaid Expenses and Other Assets, net of current portion	143,198	114,661
Fixed Assets, Net (Note 6)	348,446	211,759
Beneficial Interest in a Perpetual Trust (Note 8)	2,183,332	2,225,166
Total Assets	\$ 23,610,007	\$ 20,994,415
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,981,666	\$ 2,427,350
Payable to beneficiaries	41,447	35,882
Deferred income (Note 9)	5,625,649	5,689,249
Total Current Liabilities	8,648,762	8,152,481
Payable to Beneficiaries, net of current portion	330,840	285,144
Deferred Income, net of current portion (Note 9)	417,910	224,930
Accrued Compensation (Note 11)	142,891	136,567
Deferred Rent	1,741,066	1,528,601
Total Liabilities	11,281,469	10,327,723
Commitments (Notes 7, 11 and 12)		
Net Assets (Notes 13 and 14):		
Without donor restrictions	4,774,740	3,264,753
With donor restrictions	7,553,798	7,401,939
Total Net Assets	12,328,538	10,666,692
Total Liabilities and Net Assets	\$ 23,610,007	\$ 20,994,415

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Activities (with comparative totals for 2018)

Year ended March 31,

	Without Donor Restrictions		With Donor Restrictions		Total	
					2019	2018
Support and Revenue						
Support from the public:						
Received directly - contributions	\$ 8,081,444	\$	894,568	\$	8,976,012	\$ 11,564,018
Received indirectly - share of affiliate contributions	1,811,949		-		1,811,949	1,491,732
Received indirectly - contributions	571,602		25,421		597,023	679,260
	10,464,995		919,989		11,384,984	13,735,010
Revenue from sales of donated vehicles	2,916,693		-		2,916,693	3,278,859
Less cost of sales	915,990		-		915,990	1,042,245
Net Revenue from Sales of Donated Vehicles	2,000,703		-		2,000,703	2,236,614
Revenue from special events	13,071,783		-		13,071,783	12,986,175
Less direct benefit to donor costs	1,213,051		-		1,213,051	1,295,806
Net Revenue from Special Events	11,858,732		-		11,858,732	11,690,369
Total Support from the Public	24,324,430		919,989		25,244,419	27,661,993
Program service support and fees	10,198,851		-		10,198,851	11,078,733
Royalties	2,259,810		-		2,259,810	2,245,318
Dues - professional members	758,293		-		758,293	740,521
Investment income, net	62,766		140,425		203,191	683,449
Government grants	615,869		-		615,869	-
Other, net	416,558		-		416,558	671,850
Net assets released from restrictions	908,555		(908,555)		-	-
Total Revenue	15,220,702		(768,130)		14,452,572	15,419,871
Total Support and Revenue	\$ 39,545,132	\$	151,859	\$	39,696,991	\$ 43,081,864

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Activities (with comparative totals for 2018)

Year ended March 31,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Expenses				
Program services:				
Research	\$ 2,604,007	\$ -	\$ 2,604,007	\$ 2,023,140
Public health education	3,406,060	-	3,406,060	3,224,549
Professional education	11,511,326	-	11,511,326	11,914,204
Patient services	4,325,990	-	4,325,990	3,766,563
Community services and assistance to affiliates	9,625,752	-	9,625,752	9,592,784
Total Program Services	31,473,135	-	31,473,135	30,521,240
Supporting services:				
Fundraising	3,164,364	-	3,164,364	3,373,886
Management and general	3,397,646	-	3,397,646	3,413,517
Total Supporting Services	6,562,010	-	6,562,010	6,787,403
Total Expenses	38,035,145	-	38,035,145	37,308,643
Inherent Contribution (Note 1)	-	-	-	2,640,664
Change in Net Assets	1,509,987	151,859	1,661,846	8,413,885
Net Assets, beginning of year	3,264,753	7,401,939	10,666,692	2,252,807
Net Assets, end of year	\$ 4,774,740	\$ 7,553,798	\$ 12,328,538	\$ 10,666,692

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended March 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,661,846	\$ 8,413,885
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	122,008	144,648
Allowance for uncollectible accounts	150,351	(63,282)
Net realized and unrealized losses (gains) on investments	135,630	(486,342)
Donated stocks	(239,120)	(2,669,284)
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	(285,551)	389,210
Other receivables	715,200	3,134,584
Prepaid expenses and other assets	137,110	(275,042)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	554,316	(1,809,189)
Deferred income	129,380	1,311,307
Deferred rent	212,465	277,909
Payable to beneficiaries	51,261	(13,335)
Accrued compensation	6,324	22,243
Net Cash Provided by Operating Activities	3,351,220	5,023,706
Cash Flows from Investing Activities		
Purchases of fixed assets	(258,695)	(151,551)
Proceeds from sale of investments	5,784,566	511,543
Purchases of investments	(7,091,422)	(428,729)
Net Cash Used in Investing Activities	(1,565,551)	(68,737)
Cash Flows from Financing Activities		
Repayments on line of credit	-	(3,700,000)
Net Cash Used In Financing Activities	-	(3,700,000)
Net Increase in Cash and Cash Equivalents	1,785,669	1,254,969
Cash and Cash Equivalents, beginning of year	3,088,139	1,833,170
Cash and Cash Equivalents, end of year	\$ 4,873,808	\$ 3,088,139
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 7,861	\$ 78,268

See accompanying notes to financial statements.

National Kidney Foundation, Inc.

Statement of Functional Expenses
(with comparative totals for 2018)

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	2019	2018
Salaries	\$ 720,303	\$ 1,940,610	\$ 4,231,426	\$ 1,895,009	\$ 4,831,757	\$ 13,619,105	\$ 472,232	\$ 1,946,667	\$ -	\$ 2,418,899	\$ 16,038,004	\$ 15,960,456
Retirement benefits	16,220	53,432	71,333	38,820	96,220	276,025	13,002	53,599	-	66,601	342,626	328,696
Payroll taxes	58,435	192,493	256,982	139,852	346,638	994,400	46,842	193,093	-	239,935	1,234,335	1,340,332
Other employee benefits	66,508	93,761	600,967	208,797	554,267	1,524,300	22,816	94,054	-	116,870	1,641,170	1,698,059
Awards and grants	741,207	-	-	-	-	741,207	-	-	-	-	741,207	547,135
Patient financial assistance	-	-	-	588,328	-	588,328	-	-	-	-	588,328	463,153
Professional fees and contract services	445,749	135,875	2,622,838	326,284	342,688	3,873,434	158,635	136,299	160,621	455,555	4,328,989	4,234,909
Office supplies and expenses	13,671	54,873	91,338	93,233	443,229	696,344	12,428	43,840	107,814	164,082	860,426	940,518
Telephone	11,392	36,500	57,733	32,996	79,572	218,193	9,395	36,614	-	46,009	264,202	287,647
Postage and shipping	3,737	15,083	60,837	44,651	98,250	222,558	218,409	11,934	-	230,343	452,901	521,544
Building occupancy	134,045	441,559	613,783	320,831	796,081	2,306,299	107,450	442,937	-	550,387	2,856,686	2,874,342
Equipment repairs and maintenance	39,882	131,377	181,543	97,983	238,274	689,059	242,889	131,787	-	374,676	1,063,735	1,036,708
Insurance	9,470	31,197	41,648	23,566	75,626	181,507	14,051	31,294	-	45,345	226,852	259,922
Printing and publications	2,711	5,530	825,644	44,502	109,524	987,911	192,834	5,174	-	198,008	1,185,919	1,160,628
Marketing and promotion	16,740	43,172	88,585	45,079	382,006	575,582	442,490	43,073	-	485,563	1,061,145	1,011,291
Conferences and meetings	203,993	45,728	1,263,603	222,853	726,727	2,462,904	966,927	42,981	944,616	1,954,524	4,417,428	4,256,568
Meetings and travel	73,110	29,911	229,515	88,836	132,278	553,650	76,740	29,549	-	106,289	659,939	680,231
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	915,990	915,990	915,990	1,042,245
Dues and subscriptions	5,608	18,474	30,080	13,710	90,504	158,376	5,340	18,532	-	23,872	182,248	183,503
Cost of goods sold	-	-	43,679	-	-	43,679	-	-	-	-	43,679	46,490
Miscellaneous expenses	35,450	117,458	174,391	86,836	247,847	661,982	157,254	117,133	-	274,387	936,369	627,669
	2,598,231	3,387,033	11,485,925	4,312,166	9,591,488	31,374,843	3,159,734	3,378,560	2,129,041	8,667,335	40,042,178	39,502,046
Depreciation and amortization	5,776	19,027	25,401	13,824	34,264	98,292	4,630	19,086	-	23,716	122,008	144,648
	2,604,007	3,406,060	11,511,326	4,325,990	9,625,752	31,473,135	3,164,364	3,397,646	2,129,041	8,691,051	40,164,186	39,646,694
Less direct benefit costs	-	-	-	-	-	-	-	-	(1,213,051)	(1,213,051)	(1,213,051)	(1,295,806)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(915,990)	(915,990)	(915,990)	(1,042,245)
Total Expenses Reported by Function in the Statement of Activities	\$ 2,604,007	\$ 3,406,060	\$ 11,511,326	\$ 4,325,990	\$ 9,625,752	\$ 31,473,135	\$ 3,164,364	\$ 3,397,646	\$ -	\$ 6,562,010	\$ 38,035,145	\$ 37,308,643
Current Year Percentages (%)	6.85	8.96	30.26	11.37	25.31	82.75	8.32	8.93	-	17.25	100%	
Last Year's Percentages (%)	5.42	8.64	31.93	10.10	25.71	81.81	9.04	9.15	-	18.19		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, 2019 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.

When the Foundation acquired control of NKF Maryland and NKF West Tennessee, the 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. 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

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the balance sheet, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

National Kidney Foundation, Inc.

Notes to Financial Statements

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 class of net assets with donor restrictions and without donor restrictions 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:

Net Assets with Donor Restrictions - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that must be maintained in perpetuity or otherwise removed by either actions of the Foundation pursuant to donor-imposed stipulations and/or the passage of time. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

Net Assets without Donor Restrictions - Net assets that are without donor-imposed stipulations and/or net assets which the Board of Directors has discretionary control to use in carrying out the operations of the Foundation in accordance with its charter and by-laws.

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.

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.

National Kidney Foundation, Inc.

Notes to Financial Statements

Level 2 - Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

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 investments restricted in perpetuity, including realized and unrealized gains and losses, are recorded as net assets with donor restrictions and then released to net assets without donor restrictions through appropriations made in accordance with the Foundation's spending policy.

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.

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

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, 2019 and 2018, there has been no such loss.

National Kidney Foundation, Inc.

Notes to Financial Statements

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.

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.

Revenue Recognition

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 net assets with donor restrictions. When a donor restriction expires, that is, when a time restriction ends, or purpose restriction is fulfilled, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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.

Membership Dues and Subscriptions

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

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.

National Kidney Foundation, Inc.

Notes to Financial Statements

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.

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."

Components of Program Services

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.

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.

Professional Education

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

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.

National Kidney Foundation, Inc.

Notes to Financial Statements

Community Services and Assistance to Affiliates

The Foundation conducts free screening for individuals at risk through the KEEP program, develops plans to improve community health practices, and conducts rehabilitation programs. In addition, the Foundation provides consultation, guidance, training, and leadership to its Affiliates.

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.

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, 2019 and 2018.

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, 2019 and 2018. 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 other applicable returns in jurisdictions when it is required. For the years ended March 31, 2019 and 2018, there were no interest or penalties recorded or included in the financial statements.

Endowment Funds

The Foundation's endowment fund consists of investments that are restricted in perpetuity. The Foundation follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its contributions restricted in perpetuity and related 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 net assets with donor restrictions (a) the original value of the gifts donated to the endowment fund, (b) the original value of subsequent gifts to the

National Kidney Foundation, Inc.

Notes to Financial Statements

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 are classified as net assets with donor restrictions 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.

As of March 31, 2019 and 2018, the Foundation may appropriate endowment investment returns for distribution each year up to 5% and 4%, respectively, 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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Recently Adopted Accounting Pronouncement

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 is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. The ASU was adopted by the Foundation for its financial statements for the fiscal year ended March 31, 2019 and retrospectively applied to the March 31, 2018 information presented.

National Kidney Foundation, Inc.

Notes to Financial Statements

The ASU amends the current reporting model for the Foundation and enhances their required disclosures. The major changes to the Foundation's financial statements and related footnote disclosures include: (a) presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) disclosure of quantitative and qualitative information regarding liquidity and availability of resources (Note 3), (c) presenting investment return net of external and direct expenses, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Recently Issued but Not Yet Adopted Accounting Pronouncements

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.

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.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications have no effect on the net assets or operating results of the prior year.

National Kidney Foundation, Inc.

Notes to Financial Statements

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Year ended March 31, 2019

Cash and cash equivalents	\$	4,873,808
Investments, at fair value		9,108,216
Investments held under split-interest agreements		138,513
Due from Affiliates, principally share of Affiliate contributions		446,131
Other receivables, net		1,546,645
Total Current Assets		16,113,313
Less:		
Contractual or donor imposed restrictions:		
Donor imposed restrictions - purpose		(3,287,660)
Investments held in annuity trust		(97,066)
Board designations - operating investment fund		(1,000,000)
Total Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	\$	11,728,587

As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of monthly requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$4 million, which it could draw upon.

4. Fair Value Measurements

The following tables present the financial instruments as of March 31, 2019 and 2018, by caption on the balance sheet, within the ASC 820 valuation hierarchy defined in Note 2 above:

March 31, 2019

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 2,732,293	\$ -	\$ -	2,732,293
Equity securities	505,693	-	-	505,693
Publicly traded mutual funds	8,318,659	-	-	8,318,659
Private equity - interest in realty holding corporation	-	-	1,166,738	1,166,738
Beneficial interest in a perpetual trust	-	-	2,183,332	2,183,332
Total Investments	\$ 11,556,645	\$ -	\$ 3,350,070	\$ 14,906,715

National Kidney Foundation, Inc.

Notes to Financial Statements

March 31, 2018

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,743,615	\$ -	\$ -	\$ 1,743,615
Equity securities	513,507	-	-	513,507
Publicly traded mutual funds	7,847,344	-	-	7,847,344
Private equity - interest in realty holding corporation	-	-	1,166,738	1,166,738
Beneficial interest in a perpetual trust	-	-	2,225,166	2,225,166
Total Investments	\$ 10,104,466	\$ -	\$ 3,391,904	\$ 13,496,370

Included in the above are assets held under split-interest agreements in the amount of \$469,353 and \$400,406 as of March 31, 2019 and 2018, respectively.

The Foundation's holdings in equity securities and publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value, which is determined by quoted market prices. Each of the above investments can be liquidated daily.

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.

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, 2019 and 2018, the Foundation's interest in the private company had an estimated value of \$1,166,738.

As of March 31, 2019, 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 \$2,183,332 and their interest in the private equity realty holding corporation. There currently is no market in which beneficial interests in trusts or the private equity holding trade; therefore, no observable exit price exists for either investment. The Foundation cannot make any investment decisions regarding the assets held by the trusts or the private equity realty holding corporation.

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, 2019:

Description	Beginning Balance, April 1, 2018	Contributions	Investment Loss	Ending Balance, March 31, 2019
Beneficial interest in a perpetual trust	\$ 2,225,166	\$ -	(41,834)	\$ 2,183,332
Private equity - realty holding corporation	1,166,738	-	-	1,166,738
	\$ 3,391,904	\$ -	(41,834)	\$ 3,350,070

As of March 31, 2019 and 2018, there were no unfunded commitments nor transfers between levels.

National Kidney Foundation, Inc.

Notes to Financial Statements

5. Other Receivables

Other receivables as of March 31, 2019 and 2018 are as follows:

<i>March 31,</i>		2019		2018
Pledges receivable, net	\$	47,165	\$	522,530
Beneficial interest in charitable remainder trusts and estates		350,723		510,709
Contractual grants and miscellaneous receivables		1,168,349		1,310,948
	\$	1,566,237	\$	2,344,187

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, 2019 and 2018, the following represents future payments due:

<i>March 31,</i>		2019		2018
Within one year	\$	27,687	\$	276,518
Two to five years		20,040		251,750
Discount to present value		(562)		(5,738)
	\$	47,165	\$	522,530

The discount rates used to calculate present value varied from 2.21% to 2.40% and 2.09% to 2.56% for the years ended March 31, 2019 and 2018, respectively.

6. Fixed Assets

At March 31, 2019 and 2018, fixed assets, net, consisted of the following:

<i>March 31,</i>		2019		2018
Property, furniture and equipment	\$	2,486,657	\$	2,403,397
Leasehold improvements		498,978		275,435
Capitalized software		374,588		374,588
		3,360,223		3,053,420
Less: accumulated depreciation and amortization		(3,011,777)		(2,841,661)
	\$	348,446	\$	211,759

Depreciation and amortization expense for the years ended March 31, 2019 and 2018 was \$122,008 and \$144,648, respectively.

National Kidney Foundation, Inc.

Notes to Financial Statements

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, 2019 and 2018, the total assets held under split-interest agreements were \$469,353 and \$400,406, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was \$372,287 and \$321,026 as of March 31, 2019 and 2018, respectively, and was calculated using interest rates ranging from 1.2% to 7.4%.

8. Beneficial Interest in a Perpetual Trust

The Foundation is 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 net assets with donor restrictions, restricted in perpetuity, 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, 2019, the value of the beneficial interest decreased by \$41,834, and the Foundation 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 income under net assets without donor restrictions when received.

9. Deferred Income

Deferred income as of March 31, 2019 and 2018 is as follows:

<i>March 31,</i>	2019		2018	
Foundation programs and projects	\$	4,584,741	\$	4,159,098
Membership and subscriptions		620,595		629,802
Special events		838,223		1,125,279
	\$	6,043,559	\$	5,914,179

10. Line of Credit

The Foundation has a line of credit with a financial institution of up to \$4,000,000. For the fiscal years ended March 31, 2019 and 2018, interest was charged monthly on the outstanding balance at the one-month London Interbank Offered Rate (LIBOR) plus an interest spread of 1.25% per annum. The line of credit is secured by the Foundation's investments. As of March 31, 2019 and 2018, the Foundation did not have an outstanding balance. The line of credit matures on October 31, 2019, at which time all outstanding principal and interest amounts will be due and payable.

National Kidney Foundation, Inc.

Notes to Financial Statements

11. Retirement/Savings Plans

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, 2019 and 2018 amounted to approximately \$343,000 and \$329,000, respectively.

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, 2019, 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 \$143,000 and \$136,000 at March 31, 2019 and 2018, 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.

12. Commitments

Operating Leases

The Foundation occupies premises under non-cancelable operating leases with expiration dates that range between fiscal years 2020 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 was \$2,423,898 and \$2,481,871 for the years ended March 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

March 31,

2020	\$	2,227,917
2021		2,030,027
2022		1,738,048
2023		1,350,243
2024		1,343,348
Thereafter		10,030,754
	\$	18,720,337

National Kidney Foundation, Inc.

Notes to Financial Statements

Awards and Grants

As of March 31, 2019, 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 \$741,207 and \$547,135 during the years ended March 31, 2019 and 2018, respectively.

13. Net Assets without Donor Restrictions

Net assets without donor restrictions are available at March 31, 2019 and 2018 as follows:

<i>March 31,</i>		2019		2018
Designated by the Board for operating investments	\$	1,000,000	\$	-
Undesignated		3,774,740		3,264,753
	\$	4,774,740	\$	3,264,753

14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of March 31, 2019 and 2018 as follows:

<i>As of March 31,</i>		2019		2018
Restricted for a specific purpose:				
Young investigators and clinical scientists research	\$	1,628,188	\$	1,560,039
Other research		1,372,509		1,207,312
Other programs		579,131		660,618
Total Restricted for a Specific Purpose		3,579,828		3,427,969
Restricted in perpetuity:				
Enuresis research		174,237		174,237
Other research		800,723		800,723
Patient services		139,692		139,692
Community services		90,680		90,680
Professional education		11,929		11,929
Public education		97,872		97,872
Undesignated programs		2,658,837		2,658,837
Total Restricted in Perpetuity		3,973,970		3,973,970
	\$	7,553,798	\$	7,401,939

National Kidney Foundation, Inc.

Notes to Financial Statements

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose during the years ended March 31, 2019 and 2018 as follows:

<i>Year ended March 31,</i>	2019	2018
Young investigators and clinical scientists research	\$ 112,447	\$ 140,000
Other research	108,478	76,529
Other programs	687,630	610,354
	\$ 908,555	\$ 826,883

15. Endowments

The following table represents the endowment investment composition by type of fund as of March 31, 2019 and 2018:

<i>March 31,</i>	2019	2018
Cash and cash equivalents	\$ 211,493	\$ 84,046
Equity securities	594,512	513,307
Publicly traded mutual funds	3,167,965	3,376,617
	\$ 3,973,970	\$ 3,973,970

Changes in endowment net assets for the years ended March 31, 2019 and 2018 consisted of the following:

<i>Year ended March 31, 2019</i>	Restricted for a Specific Purpose	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 285,234	\$ 3,973,970	\$ 4,259,204
Investment income	80,156	-	80,156
Appropriation of endowment assets for expenditure	(113,074)	-	(113,074)
Endowment Net Assets, end of year	\$ 252,316*	\$ 3,973,970	\$ 4,226,286

<i>Year ended March 31, 2018</i>	Restricted for a Specific Purpose	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 234,101	\$ 1,195,096	\$ 1,429,197
Acquired net assets restricted in perpetuity	-	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

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

National Kidney Foundation, Inc.

Notes to Financial Statements

16. Subsequent Events

The Foundation's management has performed subsequent event procedures through August 8, 2019, 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.