



FINANCIAL STATEMENTS

**National Kidney Foundation, Inc.
Year Ended June 30, 2007**

**With Summarized Financial Information
For the Year Ended June 30, 2006**

With Report of Independent Auditors

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Year Ended June 30, 2007
with Summarized Financial Information
for the Year Ended June 30, 2006
With Report of Independent Auditors

National Kidney Foundation, Inc.

Financial Statements

Year Ended June 30, 2007
with Summarized Financial Information
for the Year Ended June 30, 2006

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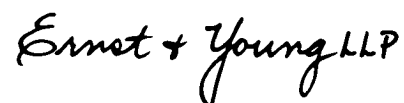
Report of Independent Auditors

The Board of Directors
National Kidney Foundation, Inc.

We have audited the accompanying balance sheet of the National Kidney Foundation, Inc. (the “Foundation”) as of June 30, 2007, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation’s 2006 financial statements and, in our report dated September 12, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



October 1, 2007

National Kidney Foundation, Inc.

Balance Sheet

	June 30	
	2007	2006
Assets		
Cash and cash equivalents	\$ 3,465,742	\$ 5,004,190
Investments	17,077,867	15,580,868
Investments held under split-interest agreements	1,014,056	921,792
Due from Affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$155,667 in 2007 and \$200,000 in 2006	1,974,450	2,203,296
Other receivables	3,566,862	645,366
Inventories	538,793	548,285
Prepaid expenses	563,976	465,408
Fixed assets, at cost, less accumulated depreciation and amortization	559,377	570,072
Other assets	34,049	34,049
Total assets	<u>\$ 28,795,172</u>	<u>\$ 25,973,326</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 3,438,690	\$ 3,162,357
Payable to beneficiaries	362,451	369,450
Funds held in trust	516,982	448,035
Deferred income	4,327,302	4,277,112
Total liabilities	<u>8,645,425</u>	<u>8,256,954</u>
Commitments		
Net assets:		
Unrestricted	4,270,920	5,601,874
Temporarily restricted	15,704,590	11,940,261
Permanently restricted	174,237	174,237
Total net assets	<u>20,149,747</u>	<u>17,716,372</u>
Total liabilities and net assets	<u>\$ 28,795,172</u>	<u>\$ 25,973,326</u>

See accompanying notes.

National Kidney Foundation, Inc.

Statement of Activities

Year Ended June 30, 2007

with Summarized Financial Information for the Year Ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
Support, revenue and reclassifications					
Support from the public:					
Received directly—contributions	\$ 1,934,135	\$ 2,981,884	\$ —	\$ 4,916,019	\$ 1,681,931
Received indirectly—share of Affiliate contributions	6,702,688	—	—	6,702,688	6,774,637
Received indirectly—contributions	192,890	—	—	192,890	—
Revenues from special events	\$ 1,064,421				
Less direct benefit to donor costs	(129,520)				
Net special events	934,901	—	—	934,901	—
Total support from the public	9,764,614	2,981,884	—	12,746,498	8,456,568
Revenue:					
Program service support and fees	19,382,676	—	—	19,382,676	20,410,066
Royalties	1,692,482	—	—	1,692,482	1,469,665
Dues—professional members	850,373	—	—	850,373	769,213
Investment income, including net realized and unrealized gains of \$1,520,938 in fiscal 2007 and \$604,807 in fiscal 2006	415,775	1,817,336	—	2,233,111	1,330,861
Sales of donated vehicles	\$ 67,667				
Less cost of sales and selling expenses	(82,267)				
Net sales of donated vehicles	(14,600)	—	—	(14,600)	—
Other, net	(75,397)	—	—	(75,397)	16,183
Total revenue and support	32,015,923	4,799,220	—	36,815,143	32,452,556
Net assets released from restrictions	1,034,891	(1,034,891)	—	—	—
Total support, revenue and reclassifications	33,050,814	3,764,329	—	36,815,143	32,452,556
Expenses					
Program services:					
Research	3,074,376	—	—	3,074,376	3,006,090
Public health education	3,627,218	—	—	3,627,218	4,120,461
Professional education	11,290,412	—	—	11,290,412	10,281,072
Patient services	4,987,289	—	—	4,987,289	5,338,221
Assistance to Affiliates	5,387,417	—	—	5,387,417	4,516,656
Total program services	28,366,712	—	—	28,366,712	27,262,500
Supporting services:					
Fundraising	1,990,012	—	—	1,990,012	1,385,691
Management and general	3,861,258	—	—	3,861,258	3,128,726
Total supporting services	5,851,270	—	—	5,851,270	4,514,417
Total expenses	34,217,982	—	—	34,217,982	31,776,917
Assumption of net liabilities of merged affiliates	(163,786)	—	—	(163,786)	—
Change in net assets	(1,330,954)	3,764,329	—	2,433,375	675,639
Net assets at beginning of year	5,601,874	11,940,261	174,237	17,716,372	17,040,733
Net assets at end of year	\$ 4,270,920	\$ 15,704,590	\$ 174,237	\$ 20,149,747	\$ 17,716,372

See accompanying notes.

National Kidney Foundation, Inc.

Statement of Cash Flows

	Year Ended June 30	
	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 2,433,375	\$ 675,639
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	168,563	158,808
Deferred rent	115,448	136,304
Write-off of inventory	11,373	77,741
Bad debts	(44,333)	–
Assumption of net liabilities of merged affiliates, excluding cash	260,507	–
Net realized and unrealized gains on investments	(1,520,938)	(604,807)
(Increase) decrease in assets:		
Due from Affiliates	273,179	(340,248)
Other receivables	(2,893,329)	1,552,558
Inventories	(1,881)	10,283
Prepaid expenses	(89,629)	367,770
Other assets	–	7,515
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(185,143)	27,601
Payable to beneficiaries	(6,999)	(13,340)
Funds held in trust	68,947	38,658
Deferred income	50,190	(675,297)
Net cash (used in) provided by operating activities	<u>(1,360,670)</u>	<u>1,419,185</u>
Cash flows from investing activities		
Purchases of fixed assets	(109,453)	(178,468)
Proceeds from sale of investments	14,941,048	2,032,143
Purchases of investments	(15,009,373)	(5,826,429)
Net cash used in investing activities	<u>(177,778)</u>	<u>(3,972,754)</u>
Net decrease in cash and cash equivalents	(1,538,448)	(2,553,569)
Cash and cash equivalents at beginning of year	5,004,190	7,557,759
Cash and cash equivalents at end of year	<u>\$ 3,465,742</u>	<u>\$ 5,004,190</u>
Supplemental disclosure of cash flow information		
Unrelated business income taxes paid	<u>\$ 21,000</u>	<u>\$ 250</u>

See accompanying notes.

National Kidney Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2007

with Summarized Financial Information for the Year Ended June 30, 2006

	Program Services					Supporting Services				Total Program and Supporting Services		
	Research	Public Health Education	Professional Education	Patient Services	Assistance to Affiliates	Total	Fund-Raising	Management and General	Direct Benefit Costs and Donated Vehicles Costs and Expenses	Total	2007	2006
Salaries	\$ 296,500	\$ 768,881	\$ 1,005,326	\$ 1,082,011	\$ 1,889,244	\$ 5,041,962	\$ 604,009	\$ 1,904,218	\$ -	\$ 2,508,227	\$ 7,550,189	\$ 6,792,428
Employee benefits	60,049	150,121	210,170	210,170	375,304	1,005,814	120,097	375,304	-	495,401	1,501,215	1,363,359
Payroll taxes	20,121	50,302	70,423	70,423	125,755	337,024	40,242	125,755	-	165,997	503,021	472,793
Awards and grants	2,443,858	-	-	-	-	2,443,858	-	-	-	-	2,443,858	2,446,783
Professional fees and contract services	24,421	81,162	747,310	104,119	255,763	1,212,775	47,483	339,930	-	387,413	1,600,188	1,200,559
Office supplies and expenses	19,195	124,994	140,880	141,111	106,541	532,721	34,989	104,910	-	139,899	672,620	708,065
Telephone	8,428	18,257	24,794	24,794	42,746	119,019	15,100	42,880	-	57,980	176,999	155,070
Postage and shipping	9,625	142,518	47,076	151,532	56,465	407,216	18,597	56,515	-	75,112	482,328	416,961
Building occupancy	47,667	119,168	166,834	166,834	297,919	798,422	95,334	297,919	-	393,253	1,191,675	1,126,582
Insurance	3,537	6,757	8,903	8,903	115,073	143,173	5,783	14,906	-	20,689	163,862	156,922
Printing and publications	61	155,469	620,190	146,639	61	922,420	64	7,262	-	7,326	929,746	879,174
Meetings and travel—volunteers	-	-	-	-	171,209	171,209	-	163,023	-	163,023	334,232	437,797
Meetings and travel—staff	34,921	114,888	138,863	145,250	256,011	689,933	57,072	177,971	-	235,043	924,976	722,139
Meetings and travel—medical	23,078	11,814	27,984	22,498	-	85,374	-	-	-	-	85,374	236,114
Transplant games	-	18,035	-	18,035	-	36,070	-	-	-	-	36,070	1,547,524
Special projects programs	-	1,775,170	7,827,851	2,764,294	827,009	13,194,324	674,149	175,162	211,787	1,061,098	14,255,422	12,061,261
Special projects marketing	-	232,751	-	-	761,063	993,814	232,751	-	-	232,751	1,226,565	782,377
Subscriptions and publications	-	14,051	-	5,218	-	19,269	8,832	-	-	8,832	28,101	43,394
Direct assistance to patients	-	-	-	54,045	-	54,045	-	-	-	-	54,045	79,005
Membership dues and support	13,870	13,869	13,870	13,870	-	55,479	-	-	-	-	55,479	60,132
Miscellaneous expenses	53,993	74,009	184,662	95,881	80,878	489,423	25,133	56,196	-	81,329	570,752	349,428
	3,059,324	3,872,216	11,235,136	5,225,627	5,361,041	28,753,344	1,979,635	3,841,951	211,787	6,033,373	34,786,717	32,037,867
Depreciation and amortization	15,052	17,758	55,276	24,417	26,376	138,879	10,377	19,307	-	29,684	168,563	158,808
	3,074,376	3,889,974	11,290,412	5,250,044	5,387,417	28,892,223	1,990,012	3,861,258	211,787	6,063,057	34,955,280	32,196,675
Less:												
Direct benefit costs	-	-	-	-	-	-	-	-	(129,520)	(129,520)	(129,520)	-
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(82,267)	(82,267)	(82,267)	-
Cost of sales	-	(262,756)	-	(262,755)	-	(525,511)	-	-	-	-	(525,511)	(419,758)
Total expenses reported by function in the statement of activities	\$3,074,376	\$ 3,627,218	\$ 11,290,412	\$ 4,987,289	\$ 5,387,417	\$ 28,366,712	\$ 1,990,012	\$ 3,861,258	\$ -	\$ 5,851,270	\$ 34,217,982	\$ 31,776,917
Current year's percentages	8.98%	10.60%	33.00%	14.58%	15.74%	82.90%	5.82%	11.28%	-%	17.10%	100.00%	-%
Last year's percentages	9.46%	12.97%	32.35%	16.80%	14.21%	85.79%	4.36%	9.85%	-%	14.21%	-%	100.00%

See accompanying notes.

National Kidney Foundation, Inc.

Notes to Financial Statements

June 30, 2007

1. Organization and Summary of Significant Accounting Policies

The National Kidney Foundation, Inc. (the “Foundation”), headquartered in New York City, has chartered a network of 42 Affiliates 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. During fiscal 2007, the Foundation assumed the assets and liabilities of certain affiliates and now conducts operations of the former affiliates in its own name. The results of these operations for the period following assumption of the assets and liabilities through year end are included in the accompanying financial statements.

Founded in 1950 to address the critical impact of these diseases, 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. The Foundation maintains a Washington office to represent the needs of its constituents by advocating for research and coverage of medications needed by those with kidney failure, and also supports an extensive scientifically meritorious research program. The Foundation’s office in Kansas City provides services and assistance to all Foundation Affiliates regarding organizational and fund-raising matters.

Under the provisions of a charter with the Foundation, each Affiliate must meet certain requirements regarding organizational structure, program services and fund-raising.

Components of Program Services

Research

The Foundation sponsors research that seeks answers to 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.

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 disbursement of educational brochures to the public, on-line health guides on the Foundation’s website and through media outreach.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Professional Education

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

Patient Services

The patient services programs include initiatives to improve patients' health and quality of life. Programs include the development of evidence-based practice guidelines for kidney disease treatment, free screening for individuals at risk through the Kidney Early Evaluation Program and patient empowerment programs that encourage patients to take charge of their own health care.

Program Assistance to Affiliates

The Foundation provides consultation, guidance, training and leadership to its Affiliates and other organizations. Specific guidance is provided with informational booklets that cover issues such as patient transportation programs, drug and blood banks, and screening and detection programs.

Fund Accounting and Net Asset Classifications

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the Foundation's accounts are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into three net asset classes: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the Foundation's Board of Directors has discretionary control and are used to carry out the Foundation's operations in accordance with its bylaws. Included in unrestricted net assets are funds used to account for fixed asset acquisitions, improvements and related activities.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Support and Revenue

Grants and contributions are recorded as revenue when received or pledged unconditionally, at fair 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 restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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. The Affiliates' share of contributions solicited by Affiliates and received directly by the Foundation is credited to Affiliate receivables.

From time to time, the Foundation makes cash advances or short-term loans to various Affiliates for the purpose of funding operations. The loans are interest bearing (at approximately 5% per annum) and repayable based on mutually agreeable terms. These advances and short-term loans are included in due from Affiliates in the accompanying balance sheet.

Expense Allocations

The majority of expenses can generally be directly identified with 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 or other methods determined by management.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Deferred Income

Deferred income consists primarily of amounts received in advance for 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 progression of the program in accordance with the applicable agreement.

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 volunteers' services has not been reflected in the accompanying financial statements as it does not meet the criteria for revenue recognition established by Statement of Financial Accounting Standards No. 116, *Contributions Received and Contributions Made*.

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.

Inventories

Inventories, which consist of educational publications in print and on CD-ROM, are stated at the lower of cost or market determined by the first-in, first out method.

Investments and Investment Income

The Foundation carries investments in marketable equity securities (including equity funds) with readily determinable fair values and all investments in debt securities at their fair values in the accompanying balance sheet. Fair values are based on quoted market prices.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets with the exception of permanently restricted net assets. Income earned from permanently restricted investments, including realized and unrealized gains and losses, is recorded as temporarily restricted for purposes specified by the donor.

Fixed Assets

Fixed assets are stated on the basis of cost or, as to donated assets, fair value on the date donated. Depreciation is computed by 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.

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.

Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

2. Tax-Exempt Status

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.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

3. Investments

The fair value of investments and investments held under split-interest agreements at June 30, 2007 and 2006 consisted of the following:

	Fair Value	
	2007	2006
International equity fund	\$ 2,419,068	\$ 2,393,069
Fixed income securities fund	4,851,866	4,345,031
iShares index funds	5,935,122	5,637,006
Small cap stock fund	941,939	901,369
Cash and U.S. Government securities	3,943,928	3,226,185
	<u>\$18,091,923</u>	<u>\$ 16,502,660</u>

Included in the above are assets held under split-interest agreements in the amount of approximately \$1,014,000 and \$922,000 at June 30, 2007 and 2006, respectively (see Note 11).

At June 30, 2007 and 2006, investments include amounts held in trust of approximately \$517,000 and \$448,000, respectively.

At June 30, 2007 and 2006, approximately \$12,726,000 and \$11,350,000, respectively, of the investments relate to temporarily restricted research endowment funds.

4. Other Receivables

Other receivables as of June 30, 2007 and 2006 are as follows:

	2007	2006
Contributions receivable	\$ 80,190	\$ 80,190
Beneficial interest in charitable remainder trust	2,202,000	—
Contractual and grant receivables	1,115,333	371,527
Other receivables	169,339	193,649
	<u>\$ 3,566,862</u>	<u>\$ 645,366</u>

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

4. Other Receivables (continued)

Included in other receivables are contributions receivable which represent unconditional promises to give. At June 30, 2007 and 2006, these contributions receivable, with the noncurrent portion discounted (at a rate of 6%) to present value, are due to be collected as follows:

	<u>2007</u>	<u>2006</u>
Within one year	\$ 30,000	\$ 30,000
One to five years	60,000	60,000
Discount to present value	(9,810)	(9,810)
	<u><u>\$ 80,190</u></u>	<u><u>\$ 80,190</u></u>

During fiscal 2007, the Foundation was informed of a beneficial interest it has in a charitable remainder trust held by a third party. The receivable of \$2,202,000 is included in other receivables and is expected to be collected in 2008 after the real property and financial instruments held by the trust are liquidated in accordance with the terms of the trust.

5. Fixed Assets

Furniture and equipment, leasehold improvements, capitalized software and accumulated depreciation and amortization as of June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 1,200,227	\$ 1,060,906
Leasehold improvements	217,208	210,662
Capitalized software	90,757	77,565
	<u>1,508,192</u>	<u>1,349,133</u>
Less accumulated depreciation and amortization	948,815	779,061
	<u><u>\$ 559,377</u></u>	<u><u>\$ 570,072</u></u>

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

6. Retirement/Savings Plan

The Foundation has a contributory retirement/savings plan. The plan 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 June 30, 2007 and 2006 amounted to approximately \$680,000 and \$700,000, respectively.

The Foundation has a Section 457(f) Senior Staff Flexible Benefit Plan (the “Plan”) that provides highly compensated employees with a benefit allowance contributed by the Foundation, which can be used for various benefit options, including a capital accumulation account. Benefit expense related to the Plan for the years ended June 30, 2007 and 2006 totaled approximately \$84,000 and \$63,000, respectively. The fully funded liability related to the Plan amounted to approximately \$129,000 and \$45,000 at June 30, 2007 and 2006, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheet.

Further, the Foundation has a Section 457(f) Supplemental Executive Retirement Plan (“SERP”) for one key employee. Benefit expense related to the SERP for the years ended June 30, 2007 and 2006 totaled approximately \$141,000 and \$90,000, respectively. The fully funded liability related to the plan amounted to approximately \$231,000 and \$90,000 at June 30, 2007 and 2006, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheet.

7. Commitments

The Foundation occupies premises under noncancelable operating leases in effect through 2019. 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. At June 30, 2007 and 2006, respectively, deferred rent of approximately \$342,000 and \$227,000 is reflected in accounts payable and accrued expenses in the accompanying balance sheet.

Rent expense approximated \$1,224,000 and \$1,127,000 for the years ended June 30, 2007 and 2006, respectively.

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

7. Commitments (continued)

Approximate future minimum lease payments are as follows:

2008	\$	899,000
2009		908,000
2010		898,000
2011		896,000
2012		917,000
Thereafter		8,344,000
	\$	<u>12,862,000</u>

The Foundation has a line of credit not to exceed \$1,000,000 at June 30, 2007. At June 30, 2007, there was no balance outstanding under this credit line.

8. Awards and Grants

As of June 30, 2007 and 2006, the Foundation has entered into conditional multi-year research grant commitments. The Foundation recognizes as expense the portion of the research grant award that is unconditional in the year it becomes unconditional. The Foundation has expensed research grants of approximately \$2,444,000 and \$2,447,000 for the years ended June 30, 2007 and 2006, respectively.

The outstanding commitments for research projects, which are conditional at June 30, 2007, are scheduled for funding approximately as follows: fiscal 2008—\$1,336,000 and fiscal 2009 \$150,000. These projects will be funded by unrestricted and certain temporarily restricted net assets and support and revenue to be generated by the Foundation.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Research endowment funds	\$ 12,806,458	\$ 11,430,552
Other research	2,272,510	38,356
Transplantation guidelines	487,059	423,540
Transplant games and other programs	138,563	47,813
	<u>\$ 15,704,590</u>	<u>\$ 11,940,261</u>

National Kidney Foundation, Inc.

Notes to Financial Statements (continued)

9. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from restrictions in fiscal 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Research endowment funds	\$ 429,945	\$ 446,146
Other research	81,417	152,483
Transplantation guidelines	400,000	–
Transplant games and other programs	123,529	91,042
	<u>\$ 1,034,891</u>	<u>\$ 689,671</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets consist of investments that are to be held in perpetuity with income therefrom available to support clinical research in enuresis.

11. 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.

At June 30, 2007 and 2006, the total assets held under split-interest agreements were approximately \$1,014,000 and \$922,000, respectively, at fair value. The actuarial present value of the Foundation's payable to beneficiaries was approximately \$362,000 and \$369,000 at June 30, 2007 and 2006, respectively, and was calculated using interest rates ranging from 5% to 6%.

Certain affiliates have a beneficial interest in the expected cash value of the gift annuities, which was approximately \$162,000 as of both June 30, 2007 and 2006, and is included in accounts payable and accrued expenses in the accompanying balance sheet.



FINANCIAL STATEMENTS

National Kidney Foundation and Its Affiliates

**Combined Statement of Activities
(unaudited)**

For the Year Ended June 30, 2007

**National Kidney Foundation and Its Affiliates
 Combined Balance Sheet (unaudited)
 as of June 30, 2007**

ASSETS	<u>2007</u>
Cash and Cash Equivalents	\$ 20,177,933
Investments	43,518,383
Accounts Receivable	12,506,424
Inventories of Educational & Campaign Material	617,520
Prepaid Expenses	1,223,156
Property, Plant & Equipment, at cost	9,492,675
Less Accumulated Depreciation	<u>(5,066,244)</u>
Property, Plant & Equipment, net	4,426,431
Other Assets	<u>1,186,045</u>
Total Assets	<u><u>\$ 83,655,892</u></u>
 LIABILITIES & NET ASSETS	
Liabilities	
Loans Payable	\$ 573,042
Accounts Payable & Accrued Expenses	6,433,418
Deferred Income	5,314,771
Other Liabilities	<u>832,205</u>
Total Liabilities	13,153,436
 Net Assets	
Unrestricted	42,214,243
Temporarily Restricted	25,598,834
Permanently Restricted	<u>2,689,379</u>
Total Net Assets	70,502,456
 Total Liabilities and Net Assets	 <u><u>\$ 83,655,892</u></u>

**National Kidney Foundation and Its Affiliates
Combined Statement of Activities (unaudited)
For the Year Ended June 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total FY07
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Support from the Public:				
Received Directly:				
Contributions	\$ 23,126,407	\$ 8,424,418	\$ 53,433	\$ 31,604,258
Special Events Revenue	23,294,434	561,094	0	23,855,528
Less: Direct Benefit Costs	(9,761,850)	(62,623)	0	(9,824,473)
Net Support from Special Events	13,532,584	498,471	0	14,031,055
Received Indirectly:				
United & Federated Funds	674,420	395,150	0	1,069,570
Combined Federal Campaign	376,245	47,568	0	423,813
Total Support from the Public	37,709,656	9,365,607	53,433	47,128,696
Government Grants	4,213,987	206,726	0	4,420,713
Other Revenue:				
Program Service Fees	20,424,127	798,791	0	21,222,918
Membership Dues	923,123	0	0	923,123
Sale of Literature & Drugs (net of expense)	455,596	5,088	0	460,684
Investment Income	3,562,305	2,053,604	0	5,615,909
Sales of Donated Vehicles	10,494,972	0	0	10,494,972
Less: Cost of Sales & Selling Expenses	(13,826,653)	0	0	(13,826,653)
Net Sales of Donated Vehicles	(3,331,681)	0	0	(3,331,681)
Miscellaneous Revenue	3,300,492	0	0	3,300,492
Total Other Revenue	25,333,962	2,857,483	0	28,191,445
Total Support and Other Revenue	67,257,605	12,429,816	53,433	79,740,854
Net Assets Released From Restrictions	7,565,802	(7,631,897)	66,095	0
Total Support, Revenue and Reclassifications	\$ 74,823,407	\$ 4,797,919	\$ 119,528	\$ 79,740,854
EXPENSES				
Program Services:				
Research	\$ 4,920,257			\$ 4,920,257
Public Health Education	12,821,347			12,821,347
Professional Education	14,600,921			14,600,921
Patient Services	15,842,238			15,842,238
Community Services	10,302,194			10,302,194
Total Program Services	58,486,957			58,486,957
Supporting Services:				
Fund Raising	6,567,867			6,567,867
Management and General	6,854,310			6,854,310
Total Supporting Services	13,422,177			13,422,177
Total Expenses	71,909,134			\$ 71,909,134
Change in Net Assets	2,914,273	4,797,919	119,528	7,831,720
Net Assets at the Beginning of the Year	39,359,456	20,682,890	2,628,390	62,670,736
Net Assets at the End of the Year	\$ 42,273,729	\$ 25,480,809	\$ 2,747,918	\$ 70,502,456

**National Kidney Foundation and Its Affiliates
 Combined Statement of Cash Flows (unaudited)
 For the Year Ended June 30, 2007**

	<u>2007</u>
Cash Flows from Operating Activities:	
Change in Net Assets	\$ 7,831,720
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	767,376
Unrealized Gain/Loss on Investments	(3,421,887)
Loss on Disposal of Fixed Assets	(302,778)
Donated Stocks	(54,671)
Donated Fixed Assets	(22,600)
Contribution of Vehicles	(10,446,184)
Cost of Sales of Contributed Vehicles	10,427,305
Realized gain on investment	(4,004)
Deferred rent	115,448
Changes in Operating Assets and Liabilities (as restated):	
Accounts Receivable	(4,850,898)
Inventories of Educational & Campaign Material	10,874
Prepaid Expenses	(87,190)
Other Assets	60,054
Accounts Payable & Accrued Expenses	(2,020,338)
Deferred Income	169,156
Other Liabilities	131,051
Net Cash Provided by Operating Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (1,697,564)
Cash Flows from Investing Activities:	
Purchase of Fixed Assets	(372,838)
Proceeds from the Disposition of Fixed Assets	15,176,207
Proceeds from the Sale of Investments	14,283,180
Purchases of Investments	(29,278,760)
Net cash Used in Investing Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (192,211)
Cash Flows From Financing Activities:	
Contributions to Endowment	12,610
Proceeds from Loans Payable	131,121
Repayment of Loans Payable	(260,413)
Net Cash Used in Financing Activities	<hr style="width: 100%; border: 0.5px solid black;"/> (116,682)
Net increase/(decrease) in cash and cash equivalents	(2,006,457)
Cash and cash equivalents at beginning of year	22,184,390
Cash and cash equivalents at end of year	<hr style="width: 100%; border: 0.5px solid black;"/> \$ 20,177,933 <hr style="width: 100%; border: 0.5px solid black;"/>
Supplemental disclosure of cash flow information	
Interest paid	\$ 21,111
Income taxes paid	21,000
Noncash investing and financing activities-In-kind donations	553,004

National Kidney Foundation and Its Affiliates
 Combined Statement of Functional Expenses (unaudited)
 For the year ended June 30, 2007

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total Expenses</u>
	Research	Public Health Education	Professional Education	Patient Services	Community Services	Fundraising	Mgt & General	
Salaries	\$ 799,707	\$ 5,038,180	\$ 2,414,193	\$ 4,520,018	\$ 4,335,312	\$ 2,360,482	\$ 3,270,339	\$ 22,738,231
Employee Benefits	116,860	702,189	370,626	623,165	699,852	349,053	555,436	3,417,181
Payroll Taxes	60,290	391,899	186,511	356,774	325,850	186,389	240,060	1,747,773
Awards and Grants	3,367,933	362,107	88,572	138,183	62,214	9,664	11,131	4,039,804
Professional Fees & Contract Services	83,035	809,594	975,031	605,672	546,752	437,696	758,783	4,216,563
Assistance to Patients	-	-	-	3,998,462	-	-	-	3,998,462
Office Supplies and Expenses	42,762	490,207	245,219	393,398	247,147	350,079	216,032	1,984,844
Telephone	23,939	115,829	64,172	113,003	104,714	75,149	84,244	581,050
Postage and Shipping	20,249	247,301	87,635	229,314	107,300	150,773	89,579	932,151
Building Occupancy	132,236	637,442	452,082	650,956	600,437	387,770	480,109	3,341,032
Insurance	10,746	49,168	28,782	50,242	148,413	45,795	54,683	387,829
Printing, Publication and Audio-Visual	18,578	466,925	720,399	274,210	74,177	385,480	45,185	1,984,954
Meetings, Symposia & Related Travel	81,873	341,138	486,128	498,817	595,691	537,631	468,984	3,010,262
Membership dues and Subscriptions	15,125	49,568	20,856	32,581	15,133	21,516	16,031	170,810
Miscellaneous Expenses	68,964	210,183	310,691	414,192	181,603	44,627	220,750	1,451,010
Unallocated Direct Benefit Costs	-	-	-	-	-	9,824,473	-	9,824,473
Depreciation and amortization	35,097	172,769	107,158	159,145	106,266	66,631	120,310	767,376
Special Projects	9,657	2,870,772	8,005,070	2,973,867	2,085,129	381,574	199,427	16,525,496
Promotion Costs	33,206	128,832	37,796	86,751	66,204	49,470	23,227	425,486
Donated Vehicles	-	-	-	-	-	-	10,494,972	10,494,972
Cost of Sales	-	-	-	-	-	-	10,494,972	10,494,972
Donated Vehicles	-	-	-	-	-	-	10,494,972	10,494,972
Service Providers	-	-	-	-	-	728,088	3,331,681	4,059,769
Total expenses	\$ 4,920,257	\$ 13,084,103	\$ 14,600,921	\$ 16,118,750	\$ 10,302,194	\$ 16,392,340	\$ 20,680,963	\$ 96,099,528
Less: Expenses Netted with Revenues on the Statement of Activities:								
Direct Expenses of Special Events	-	-	-	-	-	9,824,473	-	9,824,473
Cost of Sales	-	262,756	-	276,512	-	-	-	539,268
Cost of Sales / Selling Expenses	-	-	-	-	-	-	-	-
Donated Vehicles	-	-	-	-	-	-	13,826,653	13,826,653
Total Expenses Reported by Function	\$ 4,920,257	\$ 12,821,347	\$ 14,600,921	\$ 15,842,238	\$ 10,302,194	\$ 6,567,867	\$ 6,854,310	\$ 71,909,134
Percentages	6.8%	17.9%	20.3%	22.0%	14.3%	9.1%	9.6%	100.0%