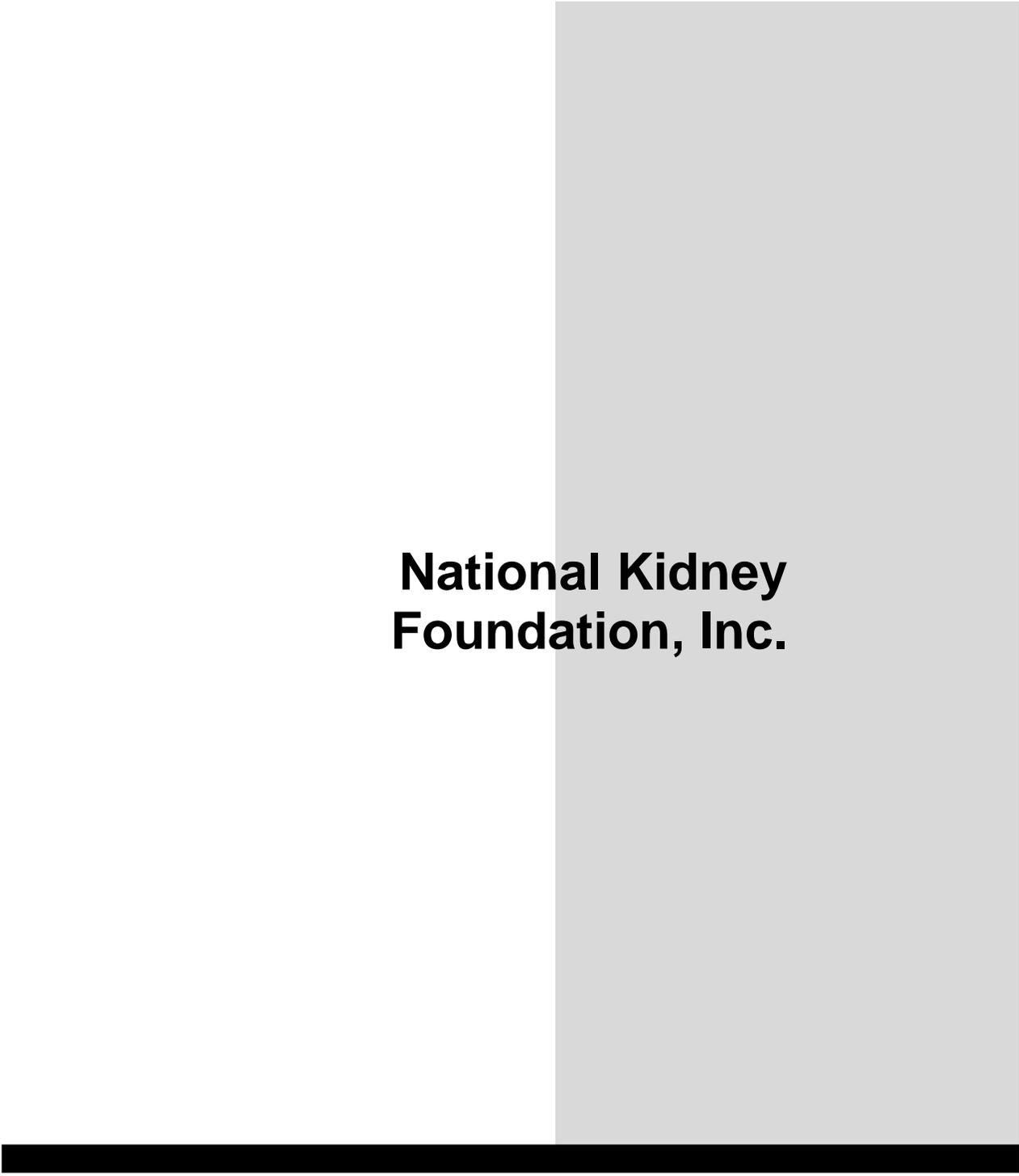


# **National Kidney Foundation, Inc.**

## **Consolidated Financial Statements** Year Ended June 30, 2010

The report accompanying these financial statements was issued by BDO USA, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**National Kidney  
Foundation, Inc.**

**Consolidated Financial Statements**  
Year Ended June 30, 2010

# National Kidney Foundation, Inc.

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## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of the National Kidney Foundation, Inc. (the "Foundation") as of June 30, 2010, and the related consolidated 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 consolidated financial statements of the Foundation for the year ended June 30, 2009 were audited by other auditors whose report, dated December 14, 2009, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Kidney Foundation, Inc. at June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 7, 2010

# National Kidney Foundation, Inc.

## Consolidated Balance Sheet (with comparative totals for 2009)

<i>June 30,</i>	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 2,214,625	\$ 2,971,917
Investments	9,286,536	9,456,247
Investments held under split-interest agreements	1,139,639	1,158,770
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$10,751 in 2010 and \$65,490 in 2009	517,702	883,279
Other receivables	3,787,060	4,028,401
Inventories	559,806	494,011
Prepaid expenses	1,042,589	873,049
Other assets	86,785	62,260
Fixed assets, at cost, less accumulated depreciation and amortization	670,919	898,072
<b>Total assets</b>	<b>\$ 19,305,661</b>	<b>\$20,826,006</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 7,982,706	\$ 7,114,807
Payable to beneficiaries	454,958	441,672
Deferred income	7,919,212	3,738,871
<b>Total liabilities</b>	<b>16,356,876</b>	<b>11,295,350</b>
<b>Commitments (Notes 7, 8, 9, 10, 11 and 12)</b>		
<b>Net assets (deficit):</b>		
Unrestricted	(10,277,730)	(1,877,766)
Temporarily restricted	11,875,558	10,403,031
Permanently restricted	1,350,957	1,005,391
<b>Total net assets</b>	<b>2,948,785</b>	<b>9,530,656</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,305,661</b>	<b>\$20,826,006</b>

See accompanying notes to consolidated financial statements.

# National Kidney Foundation, Inc.

## Consolidated Statement of Activities (with comparative totals for 2009)

<i>Year ended June 30,</i>	Unrestricted	Temporarily restricted	Permanently restricted	----- Total -----	
				2010	2009
<b>Support and revenue:</b>					
Support from the public:					
Received directly – contributions	\$ 4,572,672	\$ 4,510,033	\$ -	\$ 9,082,705	\$ 7,821,220
Received indirectly – share of affiliate contributions	1,891,815	-	-	1,891,815	4,157,279
Received indirectly – contributions	975,206	33,982	-	1,009,188	797,955
	7,439,693	4,544,015	-	11,983,708	12,776,454
Revenue from sales of donated vehicles	5,407,035	-	-	5,407,035	2,770,429
Less cost of sales	(1,310,695)	-	-	(1,310,695)	(654,444)
<b>Net revenue from sales of donated vehicles</b>	4,096,340	-	-	4,096,340	2,115,985
Revenue from special events	12,677,340	75,574	-	12,752,914	9,760,554
Less direct benefit to donor costs	(1,974,180)	-	-	(1,974,180)	(1,263,486)
<b>Net revenue from special events</b>	10,703,160	75,574	-	10,778,734	8,497,068
<b>Total support from the public</b>	22,239,193	4,619,589	-	26,858,782	23,389,507
Program service support and fees	15,283,451	-	-	15,283,451	16,611,866
Royalties	1,975,380	-	-	1,975,380	1,792,265
Dues – professional members	551,440	-	-	551,440	803,841
Investment (loss) income, including net realized and unrealized gains (losses) of \$750,680 in fiscal 2010 and (\$3,176,866) in fiscal 2009	55,495	846,101	8,312	909,908	(2,812,828)
Other, net	2,022,865	346,272	-	2,369,137	1,140,488
Net assets released from restrictions	4,744,211	(4,735,899)	(8,312)	-	-
<b>Total revenue</b>	24,632,842	(3,543,526)	-	21,089,316	17,535,632
<b>Total support and revenue</b>	46,872,035	1,076,063	-	47,948,098	40,925,139

See accompanying notes to consolidated financial statements.

# National Kidney Foundation, Inc.

## Consolidated Statement of Activities (with comparative totals for 2009)

<i>Year ended June 30,</i>	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2010	2009
<b>Expenses:</b>					
Program services:					
Research	\$ 4,510,261	\$ -	\$ -	\$ 4,510,261	\$ 4,525,083
Public health education	5,770,062	-	-	5,770,062	6,822,749
Professional education	14,592,124	-	-	14,592,124	14,846,085
Patient services	6,785,324	-	-	6,785,324	6,394,846
Community services and assistance to affiliates	11,810,866	-	-	11,810,866	12,022,739
<b>Total program services</b>	<b>43,468,637</b>	<b>-</b>	<b>-</b>	<b>43,468,637</b>	<b>44,611,502</b>
Supporting services:					
Fundraising	5,231,660	-	-	5,231,660	4,205,078
Management and general (Note 1):					
Administrative	3,508,947	-	-	3,508,947	4,724,159
Reorganization of affiliates to divisions	3,618,359	-	-	3,618,359	3,749,750
<b>Total management and general</b>	<b>7,127,306</b>	<b>-</b>	<b>-</b>	<b>7,127,306</b>	<b>8,473,909</b>
<b>Total supporting services</b>	<b>12,358,966</b>	<b>-</b>	<b>-</b>	<b>12,358,966</b>	<b>12,678,987</b>
<b>Total expenses</b>	<b>55,827,603</b>	<b>-</b>	<b>-</b>	<b>55,827,603</b>	<b>57,290,489</b>
<b>Net assets received associated with reorganization of affiliates to divisions</b>	<b>555,604</b>	<b>396,464</b>	<b>345,566</b>	<b>1,297,634</b>	<b>7,841,438</b>
<b>Change in net assets</b>	<b>(8,399,964)</b>	<b>1,472,527</b>	<b>345,566</b>	<b>(6,581,871)</b>	<b>(8,523,912)</b>
<b>Net assets at beginning of year</b>	<b>(1,877,766)</b>	<b>10,403,031</b>	<b>1,005,391</b>	<b>9,530,656</b>	<b>18,054,568</b>
<b>Net assets at end of year</b>	<b>\$(10,277,730)</b>	<b>\$11,875,558</b>	<b>\$1,350,957</b>	<b>\$2,948,785</b>	<b>\$ 9,530,656</b>

See accompanying notes to consolidated financial statements.

# National Kidney Foundation, Inc.

## Consolidated Statement of Cash Flows (with comparative totals for 2009)

<i>Year ended June 30,</i>	2010	2009
<b>Cash flows from operating activities:</b>		
Change in net assets	\$(6,581,871)	\$ (8,523,912)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	367,185	196,580
Deferred rent	108,677	52,359
Allowance for uncollectible accounts	(54,739)	(41,765)
Net assets received associated with reorganization of affiliates to divisions, excluding cash	406,791	721,419
Net realized and unrealized (gains) losses on investments	(750,680)	3,176,866
Decrease (increase) in assets:		
Due from affiliates	420,316	1,552,324
Other receivables	(151,648)	(807,317)
Inventories	(65,795)	31,993
Prepaid expenses	(173,227)	496,307
Other assets	(37,231)	(23,229)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	778,965	1,694,908
Payable to beneficiaries	13,286	27,971
Funds held in trust	-	(475,841)
Deferred income	4,180,341	(714,686)
<b>Net cash used in operating activities</b>	<b>(1,539,630)</b>	<b>(2,636,023)</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(157,184)	(436,524)
Proceeds from sale of investments	7,493,428	10,403,420
Purchases of investments	(6,553,906)	(10,424,594)
<b>Net cash provided by (used in) investing activities</b>	<b>782,338</b>	<b>(457,698)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(757,292)</b>	<b>(3,093,721)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,971,917</b>	<b>6,065,638</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,214,625</b>	<b>\$ 2,971,917</b>

See accompanying notes to consolidated financial statements.

# National Kidney Foundation, Inc.

## Consolidated Statement of Functional Expenses (with comparative totals for 2009)

Year ended June 30,

	Program services						Supporting Services				Total	
	Research	Public Health Education	Professional Education	Patient Services	Community Services/ Assistance to Affiliates	Total	Fundraising	Management and general	Direct benefit costs and donated vehicles costs and expenses	Total	2010	2009
Salaries	\$ 770,946	\$2,616,389	\$ 2,274,896	\$2,305,940	\$ 4,408,115	\$12,376,286	\$ 746,102	\$4,137,585	\$ -	\$ 4,883,687	<b>\$17,259,973</b>	\$15,640,959
Employee benefits	99,885	339,084	295,323	298,782	571,124	1,604,198	98,103	536,073	-	634,176	<b>2,238,374</b>	2,987,373
Payroll taxes	77,922	264,445	229,929	233,567	444,344	1,250,207	75,307	418,196	-	493,503	<b>1,743,710</b>	1,002,883
Awards and grants	3,157,071	16,280	15,943	24,428	11,672	3,225,394	34,160	536	-	34,696	<b>3,260,090</b>	3,677,416
Professional fees and contract services	86,173	302,088	872,009	271,250	647,168	2,178,688	950,790	428,681	843,283	2,222,754	<b>4,401,442</b>	3,712,606
Office supplies and expenses	38,072	180,998	245,746	134,413	291,841	891,070	306,335	203,464	179,552	689,351	<b>1,580,421</b>	2,216,740
Telephone	18,372	69,860	57,036	58,560	108,333	312,161	30,988	98,601	-	129,589	<b>441,750</b>	358,109
Postage and shipping	16,944	137,550	278,902	56,765	116,537	606,698	229,030	89,549	-	318,579	<b>925,277</b>	750,799
Building occupancy	114,273	390,127	337,294	341,796	656,233	1,839,723	115,722	613,289	-	729,011	<b>2,568,734</b>	2,070,401
Insurance	9,421	31,970	27,798	31,980	55,067	156,236	60,578	50,559	-	111,137	<b>267,373</b>	257,983
Printing and publications	8,332	171,190	753,508	114,281	84,280	1,131,591	371,140	44,713	-	415,853	<b>1,547,444</b>	1,481,717
Meetings and travel- volunteers	19,470	56,988	69,758	36,486	72,920	255,622	30,930	47,775	-	78,705	<b>334,327</b>	70,908
Meeting and travel – staff	36,629	134,301	239,327	130,767	294,387	835,411	192,925	186,910	912,489	1,292,324	<b>2,127,735</b>	2,711,015
Meetings and travel – medical	120	408	25,102	545	4,892	31,067	116	646	-	762	<b>31,829</b>	14,587
Transplant games	-	467,595	-	-	-	467,595	-	-	-	-	<b>467,595</b>	1,928,369
Special projects programs	5,521	-	8,179,348	761,028	2,512,549	11,458,446	-	-	-	-	<b>11,458,446</b>	12,315,533
Special projects marketing	-	-	-	-	1,106,014	1,106,014	-	-	-	-	<b>1,106,014</b>	1,509,078
Cost of donated vehicles	-	-	-	-	-	-	-	-	1,310,695	1,310,695	<b>1,310,695</b>	654,444
Subscriptions and publications	684	4,304	1,850	2,060	4,391	13,289	2,004	3,265	-	5,269	<b>18,558</b>	50,302
Direct assistance to patients	1,445	5,006	4,265	1,563,791	8,779	1,583,286	23,650	7,758	-	31,408	<b>1,614,694</b>	1,030,909
Membership dues and support	1,484	5,369	5,435	5,190	9,455	26,933	4,360	7,966	-	12,326	<b>39,259</b>	96,968
Miscellaneous expenses	30,897	519,773	629,671	364,043	308,102	1,852,486	1,943,377	166,834	38,856	2,149,067	<b>4,001,553</b>	4,472,740
	4,493,661	5,713,725	14,543,140	6,735,672	11,716,203	43,202,401	5,215,617	7,042,400	3,284,875	15,542,892	<b>58,745,293</b>	59,011,839
Depreciation and amortization	16,600	56,337	48,984	49,652	94,663	266,236	16,043	84,906	-	100,949	<b>367,185</b>	196,580
	4,510,261	5,770,062	14,592,124	6,785,324	11,810,866	43,468,637	5,231,660	7,127,306	3,284,875	15,643,841	<b>59,112,478</b>	59,208,419
Less: Direct benefit costs	-	-	-	-	-	-	-	-	(1,974,180)	(1,974,180)	<b>(1,974,180)</b>	(1,263,486)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(1,310,695)	(1,310,695)	<b>(1,310,695)</b>	(654,444)
<b>Total expenses reported by function in the consolidated statement of activities</b>	<b>\$4,510,261</b>	<b>\$5,770,062</b>	<b>\$14,592,124</b>	<b>\$6,785,324</b>	<b>\$11,810,866</b>	<b>\$43,468,637</b>	<b>\$5,231,660</b>	<b>\$7,127,306</b>	<b>\$ -</b>	<b>\$12,358,966</b>	<b>\$55,827,603</b>	\$57,290,489
Current year percentages	<b>8.08%</b>	<b>10.33%</b>	<b>26.14%</b>	<b>12.15%</b>	<b>21.16%</b>	<b>77.86%</b>	<b>9.37%</b>	<b>12.77%</b>	<b>-%</b>	<b>22.14%</b>	<b>100.00%</b>	<b>-%</b>
Last year's percentages	7.90%	11.91%	25.91%	11.16%	20.99%	77.87%	7.34%	14.79%	-%	22.13%	-%	100.00%

See accompanying notes to consolidated financial statements.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

### 1. Nature of Organization

The National Kidney Foundation, Inc. (the “Foundation”), headquartered in New York City, has a chartered network of 13 affiliated organizations (“Affiliates”) and 26 regional offices at June 30, 2010 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. The Foundation maintains a Washington, DC 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 fundraising matters.

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

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

During fiscal 2010, the Foundation assumed the assets and liabilities of five Affiliates and now conducts operations of the former Affiliates in its own name as divisions. The difference between the assets and liabilities assumed by the Foundation was recorded as a contribution upon transfer from the Affiliates to the Foundation. The results of these Affiliates' operations for the period following assumption of the assets and liabilities through year-end are included in the accompanying consolidated financial statements. Total assets and liabilities and the net assets received associated with the reorganization of Affiliates to divisions are approximately as follows:

Assets	\$1,318,000
Liabilities	20,000
Net assets received associated with the reorganization of Affiliates to divisions	\$1,298,000

Revenues and expenses generated for the five Affiliates after becoming divisions were approximately \$919,000 and \$1,134,000, respectively, and are included in the accompanying consolidated statement of activities.

Amounts received from the former Affiliates that carried donor restrictions retained those restrictions in the accompanying consolidated financial statements.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis and include an entity in which the Foundation is the sole corporate member as well as an indirectly controlled international not-for-profit affiliate in Belgium, known as Kidney Disease Improving Global Outcomes ("KDIGO"). All significant intercompany activity has been eliminated in consolidation.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(b) *Accounting Change*

In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after September 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (“ASU”).

(c) *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 consolidated financial statements, funds that have similar characteristics have been combined into three net asset classes: unrestricted, temporarily restricted and permanently restricted.

(i) **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 Consolidated Financial Statements

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

(d) *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.

Of the \$2,214,625 of cash and cash equivalents at June 30, 2010, approximately \$1,482,000 is held by one financial institution. The amount of cash and cash equivalents held may exceed Federally insured limits.

(e) *Fair Value Measurements*

ASC 820, "Fair Value Measurements and Disclosures" (formerly Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements") established a hierarchy for inputs used in measuring fair value that maximized the use of observable inputs and minimized 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 can not 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

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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 – Valuation 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. Examples include equity that is actively traded on a major exchange.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. Most debt securities, fixed income, preferred stocks, certain equity securities, short-term investments and derivatives are model priced using observable inputs and are classified with Level 2.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

(f) *Investments and Investment Income*

The Foundation carries investments in marketable equity securities (including equity funds) and all investments in debt securities at their fair values based on quoted market prices and published unit values in the accompanying consolidated balance sheet.

Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets. Income earned from permanently restricted investments, including realized and unrealized gains and losses, is recorded as permanently restricted and then released to temporarily restricted or unrestricted based upon the purpose as specified by the donor.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(g) *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 consolidated balance sheet.

(h) *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.

(i) *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.

Fixed assets	Useful lives
Furniture and equipment	5-7 years
Capitalized software	3-5 years

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(j) *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 expended efforts or progression of the program in accordance with the applicable agreement.

(k) *Support and Revenue*

(i) Grants and Contributions

Grants and contributions are recorded as revenue when received or pledged unconditionally, at their net present value. Contributions received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

(ii) Donated Vehicles

The Foundation uses a third party to administer its donated vehicles program. Donated vehicles are reported at the gross sales price, 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. The donated vehicles are reported as contributions from the public as revenue from sales of donated vehicles on the consolidated statement of activities.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(iii) Royalties

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

(iv) Membership Dues and Subscriptions

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

(v) Program Service Fees

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

(l) *Donated Services*

The Foundation's volunteers, comprised of physicians, allied health professionals, business and community leaders, kidney patients and their families and others committed to the Foundation's mission, have made significant contributions of their time to the Foundation's programs and supporting services. The value of such volunteers' services has not been reflected in the accompanying consolidated financial statements as it does not meet the criteria for revenue recognition as stated in ASC 958, "Not-for-Profit Entities" (formerly SFAS No. 116, "Accounting for Contributions Received or Contributions Made").

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(m) *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, online health guides on the Foundation's website and through media outreach.

*Professional Education*

The Foundation's program provides medical and health care professionals with tools needed to provide optimum patient care. Products provided include toolkits, best practices, 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 ("KEEP") and patient empowerment programs that encourage patients to take charge of their own health care.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

### *Community Services/Program Assistance to Affiliates*

The Foundation conducts programs to detect disease or health problems, develops plans to improve community health practices and conducts rehabilitation programs. In addition, 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.

### *Management and General*

Included within management and general expenses are approximately \$3,618,000 and \$3,750,000 in costs relating to the reorganization of Affiliates to divisions for the fiscal years ended June 30, 2010 and 2009, respectively. These expenses are related to building the necessary infrastructure the Foundation needs to accommodate the new division business model.

### *(n) 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.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(o) *Income Taxes*

The Foundation is a not-for-profit voluntary health agency as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Foundation is exempt from Federal income taxes under Section 501(a) of the Code and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code. The Foundation also is exempt from New York State and City income taxes. Contributions to the Foundation are deductible for income tax purposes to the maximum extent allowed under the Code. There was no unrelated business income tax payable for the years ended June 30, 2010 and 2009.

The Foundation has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, “Income Taxes” (relevant portions of which were previously addressed in FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”). Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Foundation does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. The Foundation has filed IRS Form 990, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2010, there was no interest or penalties recorded or included in the consolidated financial statements.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(p) *Comparative Financial Information*

The accompanying consolidated 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 consolidated financial statements for the year ended June 30, 2009 from which the summarized information was derived.

(q) *Use of Estimates*

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) *Reclassifications*

Certain reclassifications, which are not significant, have been made to the prior year financial statements to conform to the current year's presentation.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

(s) *Recently Issued Accounting Standards*

(i) Not-for-Profit Entities: Mergers and Acquisitions

In May 2009, the FASB issued new standards on business combinations for not-for-profit entities as codified in ASC 958, which establishes standards of accounting and reporting by a not-for-profit entity for both mergers of not-for-profit entities and acquisitions by not-for-profit entities. The new standards also amend ASC 350, “Intangibles – Goodwill and Other” (formerly SFAS No. 142, “Goodwill and Other Intangible Assets”), to make it fully applicable to not-for-profit entities. ASC 958 is effective for fiscal years beginning after December 15, 2009. Early adoption and retroactive application is prohibited.

(ii) Subsequent Events

In February 2010, ASC 855, “Subsequent Events”, was amended pursuant to ASU 2010-09. The update eliminated the concept of “wide distribution” for determining the appropriate date through which an organization should evaluate subsequent events. Organizations that do not file financial statements with the Securities and Exchange Commission are required to evaluate subsequent events through the date the financial statements are available to be issued.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

### 3. Investments at Fair Value

The fair value and cost of investments and investments held under split-interest agreements at June 30, 2010 and 2009 consisted of the following:

#### *June 30, 2010*

	Cost	Fair value
International Equity Fund	\$ 1,498,398	\$ 1,577,717
Fixed Income Securities Fund	2,750,174	2,672,073
U.S. equities	4,453,469	4,642,115
Cash and U.S. Government securities	1,042,477	1,069,836
Publicly traded mutual funds	380,050	464,434
	<b>\$10,124,568</b>	<b>\$10,426,175</b>

#### *June 30, 2009*

	Cost	Fair value
International Equity Fund	\$ 1,308,395	\$ 1,437,894
Fixed Income Securities Fund	3,729,583	3,808,428
U.S. equities	3,747,431	4,113,725
Cash and U.S. Government securities	878,466	803,882
Publicly traded mutual funds	380,050	451,088
	<b>\$10,043,925</b>	<b>\$10,615,017</b>

Included in the above are assets held under split-interest agreements in the amount of approximately \$1,140,000 and \$1,159,000 at June 30, 2010 and 2009, respectively (see Note 12).

At June 30, 2010 and 2009, approximately \$7,200,000 and \$7,800,000, respectively, of the investments relate to temporarily restricted research endowment funds.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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 consolidated balance sheet.

The following tables present the financial instruments as of June 30, 2010 and 2009, by caption on the consolidated balance sheet, within the ASC 820 valuation hierarchy defined above:

*June 30, 2010*

	Fair value			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	
<b>Assets</b>				
Investments:				
International Equity Fund	\$ 1,577,717	\$-	\$ -	\$ 1,577,717
Fixed Income Security Fund	2,672,073	-	-	2,672,073
U.S. Equities	4,642,115	-	-	4,642,115
Cash and U.S. Government Securities	1,069,836	-	-	1,069,836
Other assets	464,434	-	-	464,434
Total investments	10,426,175	-	-	10,426,175
Contributions receivable	-	-	95,265	95,265
Total assets	\$10,426,175	\$-	\$ 95,265	\$10,521,440
<b>Liabilities</b>				
Payable to beneficiaries	\$ -	\$-	\$454,958	\$ 454,958

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

June 30, 2009

	Fair value			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	
<b>Assets</b>				
Investments:				
International Equity Fund	\$1,437,894	\$-	\$ -	\$ 1,437,894
Fixed Income Security Fund	3,808,428	-	-	3,808,428
U.S. Equities Cash and U.S. Government Securities	4,113,725	-	-	4,113,725
Other assets	803,882	-	-	803,882
	451,088	-	-	451,088
Total investments	10,615,017	-	-	10,615,017
Contributions receivable	-	-	218,919	218,919
<b>Total assets</b>	<b>\$10,615,017</b>	<b>\$-</b>	<b>\$218,919</b>	<b>\$10,833,936</b>
<b>Liabilities</b>				
Payable to beneficiaries	\$ -	\$-	\$441,672	\$ 441,672

Contributions receivable are recorded at fair value based on the present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of donor's credit risk.

Payable to beneficiaries represents the obligation to beneficiaries of split-interest agreements and is recorded at fair value based on the present value of the future cash out flows, with consideration of expectations above possible variations in the amount and/or timing of the cash out.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

The following tables set forth changes in the contributions receivable and the payable to beneficiaries' liability measured at fair value using Level 3 inputs:

### *June 30, 2010*

	Contributions receivable	Payable to beneficiaries
Balance, beginning of year	\$ 218,919	\$441,672
Contributions	27,350	-
Payments	(217,298)	(54,401)
Fair value adjustment	66,294	67,687
Balance, end of year	\$ 95,265	\$454,958

### *June 30, 2009*

	Contributions receivable	Payable to beneficiaries
Balance, beginning of year	\$ 92,976	\$413,701
Contributions	250,606	-
Payments	(56,641)	(58,465)
Fair value adjustment	(68,022)	86,436
Balance, end of year	\$218,919	\$441,672

4. **Other Receivables** Other receivables as of June 30, 2010 and 2009 are as follows:

<i>June 30,</i>	<b>2010</b>	2009
Contributions receivable	\$ 383,636	\$ 596,057
Beneficial interest in charitable remainder trusts and estates	452,715	779,309
Contractual grants and miscellaneous receivables	2,480,502	1,641,815
Receivables from dissolved Affiliates	470,207	1,011,220
	<b>\$3,787,060</b>	\$4,028,401

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

Two Affiliates resolved to dissolve in 2010 and contribute their net assets to the Foundation. Because the net assets had not been transferred to the Foundation as of June 30, 2010, they are recognized as a receivable. During 2009, one Affiliate resolved to dissolve and contribute its net assets to the Foundation and, as such, was recognized as receivable at June 30, 2009.

Included in other receivables are contributions receivable which represent unconditional promises to give. At June 30, 2010 and 2009, these contributions receivable, with the non-current portion discounted to present value, are due to be collected as follows:

<i>June 30,</i>	<b>2010</b>	2009
Within one year	<b>\$288,371</b>	\$377,138
Two to five years	<b>96,993</b>	286,941
Discount to present value	<b>(1,728)</b>	(68,022)
	<b>\$383,636</b>	\$596,057

The discount rates to present value varied from 0.29% to 6.00%.

### 5. Fixed Assets

Furniture and equipment, leasehold improvements, capitalized software and accumulated depreciation and amortization as of June 30, 2010 and 2009 are as follows:

<i>June 30,</i>	<b>2010</b>	2009
Furniture and equipment	<b>\$1,918,368</b>	\$1,845,634
Leasehold improvements	<b>248,457</b>	248,457
Capitalized software	<b>214,341</b>	147,043
	<b>2,381,166</b>	2,241,134
Less: Accumulated depreciation and amortization	<b>(1,710,247)</b>	(1,343,062)
	<b>\$ 670,919</b>	\$ 898,072

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

6. **Deferred Income** Deferred income as of June 30, 2010 and 2009 is as follows:

<i>June 30,</i>	<b>2010</b>	2009
Medical programs	<b>\$6,997,149</b>	\$3,045,920
Membership and subscriptions	<b>321,128</b>	181,067
Special events	<b>600,935</b>	511,884
	<b>\$7,919,212</b>	\$3,738,871

7. **Retirement/  
Savings Plans**

(a) *403(b) 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, 2010 and 2009 amounted to approximately \$300,000 and \$1,200,000, respectively.

(b) *457(f) Plans*

(i) 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. Benefit expense related to the Plan for the years ended June 30, 2010 and 2009 totaled approximately \$67,000 and \$80,000, respectively. The fully funded liability related to the Plan amounted to approximately \$315,000 and \$256,000 at June 30, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

- (ii) 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, 2010 and 2009 totaled approximately \$86,000 and \$147,000, respectively. The fully funded liability related to the plan amounted to approximately \$581,000 and \$486,000 at June 30, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

### 8. Commitments

The Foundation occupies premises under non-cancelable operating leases in effect through 2021. 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, 2010 and 2009, deferred rent of approximately \$627,000 and \$518,000, respectively, is reflected in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

Rent expense approximated \$2,600,000 and \$2,100,000 for the years ended June 30, 2010 and 2009, respectively.

Approximate future minimum lease payments are as follows:

2011	\$ 1,985,000
2012	1,839,000
2013	1,567,000
2014	1,367,000
2015	1,302,000
Thereafter	5,669,000
	<hr/>
	\$13,729,000

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

The Foundation has a line of credit not to exceed \$5,000,000 at June 30, 2010. At June 30, 2010, there was no balance outstanding under this credit line.

**9. Awards and Grants**

As of June 30, 2010 and 2009, 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 \$3,300,000 and \$3,700,000 for the years ended June 30, 2010 and 2009, respectively.

The outstanding commitments for research projects, which are conditional at June 30, 2010, are scheduled for funding approximately as follows: fiscal 2011 – \$42,000. These projects will be funded by unrestricted and certain temporarily restricted net assets and support and revenue to be generated by the Foundation.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes at June 30, 2010 and 2009:

<i>June 30,</i>	<b>2010</b>	2009
Research endowment funds	<b>\$ 8,036,780</b>	\$ 7,824,862
Other research	<b>1,388,075</b>	837,439
Transplant games and other programs	<b>2,450,703</b>	1,740,730
	<b>\$11,875,558</b>	\$10,403,031

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

Temporarily restricted net assets were released from restrictions in fiscal 2010 and 2009 as follows:

	2010	2009
Research endowment funds	\$ 955,810	\$ 477,882
Other research	805,660	1,060,393
Transplantation guidelines	-	100,000
Transplant games and other programs	2,974,429	2,345,113
	<b>\$4,735,899</b>	<b>\$3,983,388</b>

### 11. Permanently Restricted Net Assets

Permanently restricted net assets consist of investments that are to be held in perpetuity. Income on permanently restricted net assets held at June 30, 2010 and 2009 is to be used as follows:

<i>June 30,</i>	2010	2009
Enuresis research	\$ 174,237	\$ 174,237
Other research	425,638	425,638
Patient services	117,432	117,432
Community services	90,680	90,680
Professional education	11,929	11,929
Public education	97,872	97,872
Undesignated programs	433,169	87,603
	<b>\$1,350,957</b>	<b>\$1,005,391</b>

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

The Foundation's permanently restricted endowment consists of permanently restricted net assets held primarily for research and patient support. The endowment is made up of donor-restricted funds. The Board of Directors of the Foundation has interpreted New York State law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are expended and released from restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the endowment fund programs while seeking to maintain the purchasing power of the funds. The Foundation's long-term strategy is to target a diversified asset allocation that includes both equity and fixed income strategies. During 2009, the Foundation elected to invest approximately \$831,000 of its permanently restricted assets in cash and cash equivalents due to current market conditions in an attempt to preserve the principal on such assets. Endowment assets are appropriated for expenditure based on the budget and program needs. Long-term expected returns on endowment assets and the duration and preservation of the endowment funds are considered in determining budgets and appropriations for expenditure.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

Changes in endowment net assets for the year ended June 30, 2010 consisted of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$1,005,391	\$1,005,391
Investment return:				
Investment income, net	-	-	8,312	8,312
Contributions	-	-	345,566	345,566
Expended and released from restrictions	876	7,436	(8,312)	-
Endowment net assets, end of year	\$876	\$7,436	\$1,350,957	\$1,359,269

### 12. 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, 2010 and 2009, the total assets held under split-interest agreements were approximately \$1,140,000 and \$1,159,000, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was approximately \$455,000 and \$442,000 at June 30, 2010 and 2009, respectively, and was calculated using interest rates ranging from 3.6% to 7.4%.

Certain Affiliates have a beneficial interest in the expected cash value of the gift annuities, which was approximately \$-0- and \$59,000 at June 30, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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- 13. Subsequent Events** The Foundation's management has performed subsequent event procedures through October 7, 2010, which is the date the consolidated financial statements were available to be issued and there were no subsequent events requiring adjustments to the consolidated financial statements or disclosures stated herein.