

National Kidney Foundation, Inc.

Consolidated Financial Statements
Year Ended June 30, 2011

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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, 2011, 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. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the consolidated financial statements of the Foundation for that year, on which we expressed an unqualified opinion dated October 7, 2010.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Kidney Foundation, Inc. at June 30, 2011, 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, 2011

National Kidney Foundation, Inc.

Consolidated Balance Sheet (with comparative totals for 2010)

<i>June 30,</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 3,866,532	\$ 2,214,625
Investments	10,256,152	9,286,536
Investments held under split-interest agreements	1,031,115	1,139,639
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$53,693 in 2011 and \$10,751 in 2010	616,304	517,702
Other receivables	2,239,679	3,787,060
Inventories	327,103	559,806
Prepaid expenses	686,983	1,042,589
Other assets	74,869	86,785
Fixed assets, at cost, less accumulated depreciation and amortization	480,386	670,919
	\$ 19,579,123	\$ 19,305,661
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,964,190	\$ 7,982,706
Line of credit payable	3,500,000	-
Payable to beneficiaries	426,027	454,958
Deferred income	5,495,707	7,919,212
Total Liabilities	19,385,924	16,356,876
Commitments (Notes 7, 8, 9, 10, 11 and 12)		
Net Assets (Deficit):		
Unrestricted	(12,415,653)	(10,277,730)
Temporarily restricted	11,257,895	11,875,558
Permanently restricted	1,350,957	1,350,957
Total Net Assets	193,199	2,948,785
	\$ 19,579,123	\$ 19,305,661

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities (with comparative totals for 2010)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Support and Revenue:					
Support from the public:					
Received directly - contributions	\$ 5,860,820	\$ 2,349,743	\$ -	\$ 8,210,563	\$ 9,082,705
Received indirectly - share of affiliate contributions	2,102,484	-	-	2,102,484	1,891,815
Received indirectly - contributions	906,383	19,736	-	926,119	1,009,188
	8,869,687	2,369,479	-	11,239,166	11,983,708
Revenue from sales of donated vehicles	5,343,467	-	-	5,343,467	5,407,035
Less cost of sales	(1,212,385)	-	-	(1,212,385)	(1,310,695)
Net Revenue From Sales of Donated Vehicles	4,131,082	-	-	4,131,082	4,096,340
Revenue from special events	13,024,419	2,065	-	13,026,484	12,752,914
Less direct benefit to donor costs	(1,663,141)	-	-	(1,663,141)	(1,974,180)
Net Revenue From Special Events	11,361,278	2,065	-	11,363,343	10,778,734
Total Support From the Public	24,362,047	2,371,544	-	26,733,591	26,858,782
Program service support and fees	18,232,714	-	-	18,232,714	15,283,451
Royalties	2,111,479	-	-	2,111,479	1,975,380
Dues - professional members	682,313	-	-	682,313	551,440
Investment income, including net realized and unrealized gains of \$1,617,732 in 2011 and \$750,680 in 2010	4,789	1,820,833	-	1,825,622	909,908
Other, net	1,441,815	129,165	-	1,570,980	2,369,137
Net assets released from restrictions	4,939,205	(4,939,205)	-	-	-
Total Revenue	27,412,315	(2,989,207)	-	24,423,108	21,089,316
Total Support and Revenue	51,774,362	(617,663)	-	51,156,699	47,948,098

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities (with comparative totals for 2010)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2011	2010
Expenses:					
Program services:					
Research	\$ 3,423,358	\$ -	\$ -	\$ 3,423,358	\$ 4,510,261
Public health education	7,125,666	-	-	7,125,666	5,770,062
Professional education	14,560,682	-	-	14,560,682	14,592,124
Patient services	5,463,181	-	-	5,463,181	6,785,324
Community services and assistance to affiliates	12,061,666	-	-	12,061,666	11,810,866
Total Program Services	42,634,553	-	-	42,634,553	43,468,637
Supporting services:					
Fundraising	4,956,617	-	-	4,956,617	5,231,660
Management and general (Note 1):					
Administrative	5,751,275	-	-	5,751,275	3,508,947
Restructuring costs	569,841	-	-	569,841	
Reorganization of affiliates to divisions	-	-	-	-	3,618,359
Total Management and General	6,321,115	-	-	6,321,115	7,127,306
Total Supporting Services	11,277,732	-	-	11,277,732	12,358,966
Total Expenses	53,912,285	-	-	53,912,285	55,827,603
Net Assets Received Associated With Reorganization of Affiliates to Divisions	-	-	-	-	1,297,634
Change in Net Assets	(2,137,923)	(617,663)	-	(2,755,586)	(6,581,871)
Net Assets at Beginning of Year	(10,277,730)	11,875,558	1,350,957	2,948,785	9,530,656
Net Assets at End of Year	\$(12,415,653)	\$11,257,895	\$1,350,957	\$ 193,199	\$ 2,948,785

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Cash Flows (with comparative totals for 2010)

<i>Year ended June 30,</i>	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ (2,755,586)	\$(6,581,871)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	250,908	367,185
Deferred rent	46,681	108,677
Allowance for uncollectible accounts	42,942	(54,739)
Net assets received associated with reorganization of affiliates to divisions, excluding cash	-	(406,791)
Net realized and unrealized (gains) losses on investments	(1,617,732)	(750,680)
Decrease (increase) in assets:		
Due from affiliates	(141,544)	420,316
Other receivables	1,547,381	634,330
Inventories	232,703	(65,795)
Prepaid expenses	355,606	(165,853)
Other assets	11,916	(11,819)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,934,803	739,479
Payable to beneficiaries	(28,931)	13,286
Deferred income	(2,423,505)	4,180,341
Net Cash Used In Operating Activities	(2,544,358)	(1,573,934)
Cash Flows From Investing Activities:		
Purchases of fixed assets	(60,376)	(122,880)
Proceeds from sale of investments	6,164,076	7,493,428
Purchases of investments	(5,407,435)	(6,553,906)
Net Cash Provided By Investing Activities	696,265	816,642
Cash Flows From Financing Activities:		
Proceeds from lines of credit	7,000,000	-
Repayment of line of credit	(3,500,000)	-
Net Cash Provided By Financing Activities	3,500,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,651,907	(757,292)
Cash and Cash Equivalents, Beginning of Year	2,214,625	2,971,917
Cash and Cash Equivalents, End of Year	\$ 3,866,532	\$ 2,214,625

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.
Consolidated Statement of Functional Expenses
(with comparative totals for 2010)

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	2011	2010
Salaries	\$ 751,837	\$2,908,883	\$ 4,466,472	\$2,296,987	\$ 5,213,528	\$15,637,707	\$ 709,927	\$3,815,645	\$ -	\$ 4,525,572	\$20,163,279	\$20,951,800
Employee benefits	100,614	401,103	906,316	307,843	923,180	2,639,056	90,302	481,196	-	571,498	3,210,554	3,151,213
Payroll taxes	57,522	222,555	341,725	175,740	398,881	1,196,423	54,316	291,931	-	346,247	1,542,670	1,743,711
Awards and grants	2,186,484	55,353	197,014	2,914	5,344	2,447,109	13,923	687	-	14,610	2,461,719	3,457,971
Professional fees and contract services	55,166	455,823	3,580,854	206,836	2,140,686	6,439,365	478,342	293,801	346,224	1,118,367	7,557,732	7,950,492
Office supplies and expenses	32,451	285,521	253,600	109,634	581,314	1,262,520	111,574	172,785	259,937	544,296	1,806,816	1,853,894
Telephone	16,944	73,382	66,830	54,237	138,360	349,753	22,049	89,977	-	112,026	461,779	527,021
Postage and shipping	13,170	131,614	285,992	43,936	103,958	578,670	227,698	69,754	-	297,452	876,122	1,013,597
Building occupancy	110,095	417,058	388,714	339,578	586,506	1,841,951	113,484	586,339	-	699,823	2,541,774	2,593,452
Insurance	10,065	54,383	38,507	36,300	82,108	221,363	46,663	53,603	-	100,266	321,629	281,382
Printing and publications	2,096	207,486	1,085,420	95,860	96,365	1,487,227	344,991	11,161	-	356,152	1,843,379	2,413,237
Public relations	5,012	295,876	20,727	16,293	594,676	932,584	741,683	26,692	-	768,375	1,700,959	2,107,052
Conferences and meetings	7,130	601,348	1,222,770	217,258	407,843	2,456,349	1,389,637	37,975	1,056,980	2,484,592	4,940,941	4,707,056
Meetings and travel- volunteers	6,533	502,532	522,545	46,311	79,629	1,157,550	31,861	32,549	-	64,410	1,221,960	759,011
Meeting and travel - staff	21,680	259,222	291,378	35,630	399,157	1,007,067	152,241	109,193	-	261,434	1,268,501	2,659,217
Meetings and travel - medical	135	5,385	587,764	5,577	2,758	601,619	496	721	-	1,217	602,836	598,403
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	1,212,385	1,212,385	1,212,385	12,375
Subscriptions and publications	872	5,351	60,283	2,925	5,849	75,280	4,943	4,646	-	9,589	84,869	45,665
Direct assistance to patients	-	-	-	1,308,659	-	1,308,659	-	-	-	-	1,308,659	1,613,717
Membership dues and support	1,426	6,197	6,160	4,788	15,991	34,562	3,175	7,594	-	10,769	45,331	41,179
Miscellaneous expenses	33,111	194,868	199,473	121,977	228,978	778,407	408,397	176,205	-	584,602	1,363,009	263,848
	3,412,343	7,083,940	14,522,544	5,429,283	12,005,111	42,453,221	4,945,702	6,262,454	2,875,526	14,083,682	56,536,903	58,745,293
Depreciation and amortization	11,015	41,726	38,138	33,898	56,555	181,332	10,915	58,661	-	69,576	250,908	367,185
	3,423,358	7,125,666	14,560,682	5,463,181	12,061,666	42,634,553	4,956,617	6,321,115	2,875,526	14,153,258	56,787,811	59,112,478
Less: Direct benefit costs	-	-	-	-	-	-	-	-	(1,663,141)	(1,663,141)	(1,663,141)	(1,974,180)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(1,212,385)	(1,212,385)	(1,212,385)	(1,310,695)
Total Expenses Reported by Function in the Consolidated Statement of Activities	\$3,423,358	\$7,125,666	\$14,560,682	\$5,463,181	\$12,061,666	\$42,634,553	\$4,956,617	\$6,321,115	\$ -	\$11,277,732	\$53,912,285	\$55,827,603
Current Year Percentages	6.35%	13.22%	27.01%	10.13%	22.37%	79.08%	9.19%	11.73%	-%	20.92%	100.00%	-%
Last Year's Percentages	8.08%	10.33%	26.14%	12.15%	21.16%	77.86%	9.37%	12.77%	-%	22.14%	-%	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, 2011 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 field services provide 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.

In fiscal 2011, the Foundation did not assume any assets and liabilities of any Affiliates. 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

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) 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.
- (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.

(c) Cash and Cash Equivalents

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

Of the \$3,866,532 of cash and cash equivalents at June 30, 2011, approximately \$3,253,000 is held by one financial institution. The amount of cash and cash equivalents held may exceed federally-insured limits.

(d) Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures", 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 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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

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.

(e) Investments and Investment Income

The Foundation carries investments in marketable equity securities at their fair values based on quoted market prices. Investments in mutual funds and debt securities are carried at their quoted net asset value ("NAV") and published net unit value, respectively.

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

(f) Due From Affiliates and Share of Affiliate Contributions

The Foundation and its Affiliates have agreements under which a portion of contributions received by Affiliates is shared with the Foundation. Amounts received but not remitted by Affiliates are recorded by the Foundation as due from Affiliates. The Affiliates' share of contributions solicited by Affiliates and received directly by the Foundation is credited to Affiliate receivables.

(g) 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.

(h) 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

(i) 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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(j) 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.

(iii) Royalties

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

(iv) Membership Dues and Subscriptions

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

(v) Program Service Fees

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

(vi) Other, Net

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

(k) 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".

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(I) Components of Program Services

(i) 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.

(ii) Public Health Education

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

(iii) Professional Education

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

(iv) Patient Services

The patient services programs include initiatives to improve patients' health and quality of life. Programs include 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.

(v) 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.

(vi) Management and General

Included within management and general expenses are \$569,841 in costs related to the Foundation's restructuring of certain operations which resulted in the reduction of the workforce for the year ended June 30, 2011. The costs associated with the restructuring were severance and unemployment insurance expense incurred as a result of the workforce reduction restructuring plan.

For the year ended June 30, 2010, the Foundation reported \$3,618,359 in costs related to the reorganization of Affiliates to divisions. These expenses were related to building the necessary infrastructure the Foundation needed to accommodate the new division business model.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(m) Functional Allocation of Expenses

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.

(n) 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, 2011 and 2010.

The Foundation has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, "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, 2011, there were no interest or penalties recorded or included in the consolidated financial statements.

(o) Endowment Funds

The Foundation's endowment consists of investments that are permanently restricted. On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts.

The following applies to the endowment funds:

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 donor-restricted funds that the Foundation must hold in perpetuity. The endowment funds are invested in vehicles such as money market funds, fixed income, mutual funds and equity securities.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;

National Kidney Foundation, Inc.

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- 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; and
- the investment policy of the Foundation, as enforced by the Investment Committee of the Board of Directors.

(p) Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of activities, the prior year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with 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, 2010, 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.

(s) Recently Issued Accounting Standard

Fair Value Measurements and Disclosures

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements", which amends ASC 820. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in ASC 820. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Foundation does not expect the implementation of ASU 2010-06 to have a material impact on its financial statements.

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, 2011 and 2010 consisted of the following:

June 30, 2011

	Cost	Fair Value
Assets		
Investments:		
U.S. Equities	\$1,479,536	\$ 1,889,178
Money Market Funds	812,960	812,960
Mutual Funds:		
Convertible Securities	230,704	303,770
Foreign Large-cap Blend	1,000,430	1,232,335
Large-cap Blend	602,766	623,074
Large-cap Growth	316,237	592,758
Large-cap Value	917,507	1,317,852
Mid-cap Blend	261,431	412,392
Mid-cap Growth	123,896	159,878
Small-cap Blend	40,086	47,561
Small-cap Growth	2,350	2,638
Small-cap Value	14,717	15,158
Fixed Income:		
Government Obligations	363,080	388,462
High Yield Bond	587	597
Intermediate Government	49,836	49,057
Intermediate-term Bond	2,325,517	2,445,165
U.S. Treasury	259,879	267,758
World Bond	633,008	660,892
Other	57,951	65,782
Total investments	\$9,492,478	\$11,287,267

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

June 30, 2010

	Cost	Fair Value
Assets		
Investments:		
U.S. Equities	\$1,037,387	\$ 1,112,457
Money Market Funds	611,567	611,567
Mutual Funds:		
Convertible Securities	315,627	383,314
Foreign Large-cap Blend	1,441,200	1,461,134
Large-cap Blend	283,028	270,582
Large-cap Growth	540,078	720,134
Large-cap Value	1,265,935	1,503,173
Mid-cap Blend	484,361	586,365
Mid-cap Growth	170,976	176,192
Small-cap Blend	92,971	89,090
Small-cap Growth	97,828	89,704
Small-cap Value	55,826	58,029
Fixed Income:		
Government Obligations	82,400	79,005
High Yield Bond	466,483	493,827
Intermediate Government	38,835	39,845
Intermediate-term Bond	2,332,630	2,272,247
U.S. Treasury	10,963	11,193
World Bond	344,837	378,864
Other	80,339	89,453
Total investments	\$9,753,271	\$10,426,175

Included in the above are assets held under split-interest agreements in the amount of approximately \$1,031,000 and \$1,140,000 at June 30, 2011 and 2010, respectively (see Note 7).

At June 30, 2011 and 2010, approximately \$8,600,000 and \$7,200,000, respectively, of the investments relate to temporarily restricted research endowment funds.

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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

The following tables present the financial instruments as of June 30, 2011 and 2010, by caption on the consolidated balance sheet, within the ASC 820 valuation hierarchy defined above:

June 30, 2011

	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)	
Assets				
Investments:				
U.S. Equities	\$1,889,178	\$ -	\$-	\$ 1,889,178
Money Market Funds	812,960	-	-	812,960
Mutual Funds:				
Convertible Securities	-	303,770	-	303,770
Foreign Large-cap Blend	-	1,232,335	-	1,232,335
Large-cap Blend	-	623,074	-	623,074
Large-cap Growth	-	592,758	-	592,758
Large-cap Value	-	1,317,852	-	1,317,852
Mid-cap Blend	-	412,392	-	412,392
Mid-cap Growth	-	159,878	-	159,878
Small-cap Blend	-	47,561	-	47,561
Small-cap Growth	-	2,638	-	2,638
Small-cap Value	-	15,158	-	15,158
Fixed Income:				
Government Obligations	-	388,462	-	388,462
High Yield Bond	-	597	-	597
Intermediate Government	-	49,057	-	49,057
Intermediate-term Bond	-	2,445,165	-	2,445,165
U.S. Treasury	267,758	-	-	267,758
World Bond	-	660,892	-	660,892
Other	-	65,782	-	65,782
Total investments	\$2,969,896	\$8,317,371	\$-	\$11,287,267

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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)	
Assets				
Investments:				
U.S. Equities	\$1,112,457	\$ -	\$-	\$ 1,112,457
Money Market Funds	611,567	-	-	611,567
Mutual Funds:				
Convertible Securities	-	383,314	-	383,314
Foreign Large-cap Blend	-	1,461,134	-	1,461,134
Large-cap Blend	-	270,582	-	270,582
Large-cap Growth	-	720,134	-	720,134
Large-cap Value	-	1,503,173	-	1,503,173
Mid-cap Blend	-	586,365	-	586,365
Mid-cap Growth	-	176,192	-	176,192
Mid-cap Value	-	89,090	-	89,090
Small-cap Blend	-	89,704	-	89,704
Small-cap Growth	-	58,029	-	58,029
Small-cap Value	-	79,005	-	79,005
Fixed Income:				
Government Obligations	-	493,827	-	493,827
Intermediate Government	-	39,845	-	39,845
Intermediate-term Bond	-	2,272,247	-	2,272,247
Long-term Bond	-	11,193	-	11,193
U.S. Treasury	378,864	-	-	378,864
Other	-	89,453	-	89,453
Total investments	\$2,102,888	\$8,323,287	\$-	\$10,426,175

Investments for which fair value is estimated using reported NAV or the equivalent are able to be redeemed on a daily basis. At June 30, 2011, there were no unfunded commitments.

4. Other Receivables

Other receivables as of June 30, 2011 and 2010 are as follows:

June 30,	2011	2010
Contributions receivable	\$ 194,051	\$ 383,636
Beneficial interest in charitable remainder trusts and estates	733,450	452,715
Contractual grants and miscellaneous receivables	1,312,178	2,480,502
Receivables from dissolved Affiliates	-	470,207
	\$2,239,679	\$3,787,060

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Notes to Consolidated Financial Statements

Included in other receivables are contributions receivable which represent unconditional promises to give. Contributions 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 contributions are made and equal in duration to the length of time that the contribution is expected to be paid over.

The following represents future payments due:

<i>June 30,</i>	2011	2010
Within one year	\$105,955	\$288,371
Two to five years	88,690	96,993
Discount to present value	(594)	(1,728)
	<u>\$194,051</u>	<u>\$383,636</u>

The discount rates to present value varied from 0.14% to 1.40%.

5. Fixed Assets

At June 30, 2011 and 2010, fixed assets, net consisted of the following:

<i>June 30,</i>	2011	2010
Furniture and equipment	\$ 1,921,416	\$ 1,918,368
Leasehold improvements	264,964	248,457
Capitalized software	255,162	214,341
	<u>2,441,542</u>	<u>2,381,166</u>
Less: Accumulated depreciation and amortization	<u>(1,961,156)</u>	<u>(1,710,247)</u>
	<u>\$ 480,386</u>	<u>\$ 670,919</u>

6. Deferred Income

Deferred income as of June 30, 2011 and 2010 is as follows:

<i>June 30,</i>	2011	2010
Medical programs	\$4,166,494	\$6,997,149
Membership and subscriptions	879,090	321,128
Special events	450,123	600,935
	<u>\$5,495,707</u>	<u>\$7,919,212</u>

National Kidney Foundation, Inc.

Notes to Consolidated 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.

At June 30, 2011 and 2010, the total assets held under split-interest agreements were approximately \$1,031,000 and \$1,140,000, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was approximately \$426,000 and \$455,000 at June 30, 2011 and 2010, respectively, and was calculated using interest rates ranging from 3.6% to 7.4%.

8. Lines of Credit

During the year ended June 30, 2011, the Foundation entered into a \$6,000,000 line of credit with a financial institution maturing on February 28, 2012, at which time all outstanding principal and interest payments will be due and payable. Interest payments on all unpaid principal are due on a monthly basis. The interest on the outstanding balance is approximately 1.7% at June 30, 2011.

9. 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, 2011 and 2010 amounted to approximately \$464,000 and \$300,000, 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, 2011 and 2010 totaled approximately \$162,000 and \$67,000, respectively. The fully funded liability related to the Plan amounted to approximately \$363,000 and \$315,000 at June 30, 2011 and 2010, 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, 2011 and 2010 totaled approximately \$325,000 and \$86,000, respectively. The fully funded liability related to the plan amounted to approximately \$927,000 and \$581,000 at June 30, 2011 and 2010, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

10. 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, 2011 and 2010, deferred rent of approximately \$673,000 and \$627,000, respectively, is reflected in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

Rent expense approximated \$2,400,000 and \$2,600,000 for the years ended June 30, 2011 and 2010, respectively.

Approximate future minimum lease payments are as follows:

2012	\$ 1,901,000
2013	1,653,000
2014	1,416,000
2015	1,349,000
2016	1,086,000
Thereafter	4,609,000
	<hr/>
	\$12,014,000

11. Awards and Grants

As of June 30, 2011 and 2010, 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 \$2,462,000 and \$3,458,000 for the years ended June 30, 2011 and 2010, respectively.

The outstanding commitments for research projects, which are conditional at June 30, 2010, are scheduled for funding approximately as follows: fiscal 2012 - \$418,000. These projects will be funded by unrestricted and certain temporarily restricted net assets and support and revenue to be generated by the Foundation.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2011 and 2010:

<i>June 30,</i>	2011	2010
Research endowment funds	\$ 8,534,185	\$ 8,036,780
Other research	1,293,784	1,388,075
Transplant games and other programs	1,429,926	2,450,703
	\$11,257,895	\$11,875,558

Temporarily restricted net assets were released from restrictions in fiscal 2011 and 2010 as follows:

	2011	2010
Research endowment funds	\$1,382,931	\$ 955,810
Other research	813,963	805,660
Other programs	2,742,311	2,974,429
	\$4,939,205	\$4,735,899

13. 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, 2011 and 2010 is to be used as follows:

<i>June 30,</i>	2011	2010
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	433,169
	\$1,350,957	\$1,350,957

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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. The Foundation elected to invest approximately \$1,177,000 of its permanently restricted assets in cash and cash equivalents due to the 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.

Changes in endowment net assets for the year ended June 30, 2011 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$-	\$-	\$1,350,957	\$1,350,957
Investment return:				
Investment income, net	-	-	10,237	10,237
Contributions	-	-	-	-
Expended and released from restrictions	-	-	(10,237)	(10,237)
Endowment net assets, end of year	\$-	\$-	\$1,350,957	\$1,350,957

14. Subsequent Events

The Foundation's management has performed subsequent event procedures through October 7, 2011, 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.