

# **National Kidney Foundation, Inc.**

## **Consolidated Financial Statements** Year Ended June 30, 2012

# **National Kidney Foundation, Inc.**

Consolidated Financial Statements  
Year Ended June 30, 2012

# 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, 2012, 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, 2011 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, 2011.

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, 2012, 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 4, 2012

# National Kidney Foundation, Inc.

## Consolidated Balance Sheet (with comparative totals for 2011)

| <i>June 30,</i>   | 2012                | 2011                 |
|---|---------------------|----------------------|
| <b>Assets</b>   |                     |                      |
| Cash and cash equivalents   | \$ 2,905,763        | \$ 3,866,532         |
| Investments, at fair value (Note 3)   | 9,559,604           | 10,256,152           |
| Investments held under split-interest agreements (Notes 3 and 7)  | 617,114             | 1,031,115            |
| Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$188,115 in 2012 and \$53,693 in 2011 | 349,157             | 616,304              |
| Other receivables (Note 4)  | 908,681             | 2,239,679            |
| Inventories   | 186,712             | 327,103              |
| Prepaid expenses  | 519,709             | 686,983              |
| Other assets  | 78,134              | 74,869               |
| Fixed assets, at cost, less accumulated depreciation and amortization (Note 5)  | 342,159             | 480,386              |
|   | <b>\$15,467,033</b> | <b>\$ 19,579,123</b> |
| <b>Liabilities and Net Assets</b>   |                     |                      |
| <b>Liabilities:</b>   |                     |                      |
| Accounts payable and accrued expenses (Note 10)   | \$ 6,990,088        | \$ 9,964,190         |
| Deferred income (Note 6)  | 4,598,314           | 5,495,707            |
| Payable to beneficiaries (Note 7)   | 410,572             | 426,027              |
| Line of credit payable (Note 8)   | 1,500,000           | 3,500,000            |
| <b>Total Liabilities</b>  | <b>13,498,974</b>   | <b>19,385,924</b>    |
| <b>Commitments (Notes 7, 8, 9, 10, 11 and 12)</b>   |                     |                      |
| <b>Net Assets (Deficit) (Notes 11 and 12):</b>  |                     |                      |
| Unrestricted  | (7,913,214)         | (12,415,653)         |
| Temporarily restricted  | 8,530,316           | 11,257,895           |
| Permanently restricted  | 1,350,957           | 1,350,957            |
| <b>Total Net Assets</b>   | <b>1,968,059</b>    | <b>193,199</b>       |
|   | <b>\$15,467,033</b> | <b>\$ 19,579,123</b> |

*See accompanying notes to consolidated financial statements.*

# National Kidney Foundation, Inc.

## Consolidated Statement of Activities (with comparative totals for 2011)

*Year ended June 30,*

|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |              |
|--|--------------|---------------------------|---------------------------|--------------|--------------|
|  |              |                           |                           | 2012         | 2011         |
| <b>Revenue:</b>  |              |                           |                           |              |              |
| Support from the public:   |              |                           |                           |              |              |
| Received directly - contributions  | \$ 5,659,355 | \$ 1,549,033              | \$ -                      | \$ 7,208,388 | \$ 8,210,563 |
| Received indirectly - share of affiliate contributions   | 2,187,451    | -                         | -                         | 2,187,451    | 2,102,484    |
| Received indirectly - contributions  | 857,814      | 61,839                    | -                         | 919,653      | 926,119      |
|  | 8,704,620    | 1,610,872                 | -                         | 10,315,492   | 11,239,166   |
| Revenue from sales of donated vehicles   | 4,273,185    | -                         | -                         | 4,273,185    | 5,343,467    |
| Less cost of sales   | (921,515)    | -                         | -                         | (921,515)    | (1,212,385)  |
| <b>Net Revenue From Sales of Donated Vehicles</b>  | 3,351,670    | -                         | -                         | 3,351,670    | 4,131,082    |
| Revenue from special events  | 12,539,269   | -                         | -                         | 12,539,269   | 13,026,484   |
| Less direct benefit to donor costs   | (1,459,647)  | -                         | -                         | (1,459,647)  | (1,663,141)  |
| <b>Net Revenue From Special Events</b>   | 11,079,622   | -                         | -                         | 11,079,622   | 11,363,343   |
| <b>Total Support From the Public</b>   | 23,135,912   | 1,610,872                 | -                         | 24,746,784   | 26,733,591   |
| Program service fees   | 18,928,427   | -                         | -                         | 18,928,427   | 18,232,714   |
| Royalties  | 1,858,599    | -                         | -                         | 1,858,599    | 2,111,479    |
| Dues - professional members  | 718,390      | -                         | -                         | 718,390      | 682,313      |
| Investment income, including cumulative realized and unrealized<br>gains (losses) of \$(589,613) in 2012 and \$1,617,732 in 2011 | (6,697)      | (355,522)                 | -                         | (362,219)    | 1,825,622    |
| Other, net   | 1,198,627    | 13,325                    | -                         | 1,211,952    | 1,570,980    |
| Net assets released from restrictions (Note 11)  | 3,996,254    | (3,996,254)               | -                         | -            | -            |
|  | 26,693,600   | (4,338,451)               | -                         | 22,355,149   | 24,423,108   |
| <b>Total Revenue</b>   | 49,829,512   | (2,727,579)               | -                         | 47,101,933   | 51,156,699   |

*See accompanying notes to consolidated financial statements.*

# National Kidney Foundation, Inc.

## Consolidated Statement of Activities (with comparative totals for 2011)

*Year ended June 30,*

|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |                   |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|
|   |                   |                           |                           | 2012              | 2011              |
| <b>Expenses:</b>                                |                   |                           |                           |                   |                   |
| Program services:                               |                   |                           |                           |                   |                   |
| Research  | \$ 1,112,128      | \$ -                      | \$ -                      | \$ 1,112,128      | \$ 3,423,358      |
| Public health education                         | 4,026,047         | -                         | -                         | 4,026,047         | 7,125,666         |
| Professional education                          | 13,276,573        | -                         | -                         | 13,276,573        | 14,560,682        |
| Patient services                                | 3,940,517         | -                         | -                         | 3,940,517         | 5,463,181         |
| Community services and assistance to affiliates | 14,304,292        | -                         | -                         | 14,304,292        | 12,061,666        |
| <b>Total Program Services</b>                   | <b>36,659,557</b> | <b>-</b>                  | <b>-</b>                  | <b>36,659,557</b> | <b>42,634,553</b> |
| Supporting services:                            |                   |                           |                           |                   |                   |
| Fundraising                                     | 4,378,424         | -                         | -                         | 4,378,424         | 4,956,617         |
| Management and general:                         |                   |                           |                           |                   |                   |
| Administrative                                  | 4,262,297         | -                         | -                         | 4,262,297         | 5,751,275         |
| Restructuring costs                             | 26,795            | -                         | -                         | 26,795            | 569,840           |
| <b>Total Management and General</b>             | <b>4,289,092</b>  | <b>-</b>                  | <b>-</b>                  | <b>4,289,092</b>  | <b>6,321,115</b>  |
| <b>Total Supporting Services</b>                | <b>8,667,516</b>  | <b>-</b>                  | <b>-</b>                  | <b>8,667,516</b>  | <b>11,277,732</b> |
| <b>Total Expenses</b>                           | <b>45,327,073</b> | <b>-</b>                  | <b>-</b>                  | <b>45,327,073</b> | <b>53,912,285</b> |
| Change in Net Assets                            | 4,502,439         | (2,727,579)               | -                         | 1,774,860         | (2,755,586)       |
| Net Assets (Deficit) at Beginning of Year       | (12,415,653)      | 11,257,895                | 1,350,957                 | 193,199           | 2,948,785         |
| Net Assets (Deficit) at End of Year             | \$ (7,913,214)    | \$ 8,530,316              | \$ 1,350,957              | \$ 1,968,059      | \$ 193,199        |

*See accompanying notes to consolidated financial statements.*

# National Kidney Foundation, Inc.

## Consolidated Statement of Cash Flows (with comparative totals for 2011)

| <i>Year ended June 30,</i>  | 2012                | 2011                |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>  |                     |                     |
| Change in net assets  | \$ 1,774,860        | \$ (2,755,586)      |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation and amortization   | 227,809             | 250,908             |
| Allowance for uncollectible accounts  | 331,668             | 42,942              |
| Realized and unrealized (gains) losses on investments   | 589,613             | (1,617,732)         |
| Decrease (increase) in assets:  |                     |                     |
| Due from affiliates   | 132,724             | (141,544)           |
| Other receivables   | 1,133,753           | 1,547,381           |
| Inventories   | 140,391             | 232,703             |
| Prepaid expenses  | 167,274             | 355,606             |
| Other assets  | (3,265)             | 11,916              |
| Increase (decrease) in liabilities:   |                     |                     |
| Accounts payable and accrued expenses   | (2,974,102)         | 1,981,484           |
| Deferred income   | (897,393)           | (2,423,505)         |
| Payable to beneficiaries  | (15,455)            | (28,931)            |
| <b>Net Cash Provided By (Used In) Operating Activities</b>  | <b>607,877</b>      | <b>(2,544,358)</b>  |
| <b>Cash Flows From Investing Activities:</b>  |                     |                     |
| Purchases of fixed assets   | (89,582)            | (60,376)            |
| Proceeds from sale of investments   | 936,586             | 6,164,076           |
| Purchases of investments  | (415,650)           | (5,407,435)         |
| <b>Net Cash Provided By Investing Activities</b>  | <b>431,354</b>      | <b>696,265</b>      |
| <b>Cash Flows From Financing Activities:</b>  |                     |                     |
| Proceeds from lines of credit   | -                   | 7,000,000           |
| Repayment of line of credit   | (2,000,000)         | (3,500,000)         |
| <b>Net Cash Provided By (Used In) Financing Activities</b>  | <b>(2,000,000)</b>  | <b>3,500,000</b>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(960,769)</b>    | <b>1,651,907</b>    |
| <b>Cash and Cash Equivalents, Beginning of Year</b>   | <b>3,866,532</b>    | <b>2,214,625</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 2,905,763</b> | <b>\$ 3,866,532</b> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |                     |                     |
| Cash paid for interest  | \$ 56,437           | \$ 55,130           |

*See accompanying notes to consolidated financial statements.*

**National Kidney Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**(with comparative totals for 2011)**

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               | 2012                | 2011                |
| Salaries   | \$ 126,848         | \$1,989,261             | \$ 3,553,067           | \$1,211,881        | \$ 3,864,827                                 | \$10,745,884        | \$ 440,897         | \$2,266,888            | \$ -   | \$ 2,707,785        | \$13,453,669        | \$20,163,279        |
| Employee benefits  | 14,747             | 231,022                 | 705,235                | 177,623            | 681,894                                      | 1,810,521           | 52,177             | 263,546                | -  | 315,723             | 2,126,244           | 3,210,554           |
| Payroll taxes  | 11,033             | 173,028                 | 309,049                | 105,411            | 336,166                                      | 934,687             | 38,350             | 197,176                | -  | 235,526             | 1,170,213           | 1,542,670           |
| Awards and grants  | 872,117            | 217                     | 767,011                | 17,984             | 1,745  | 1,659,074           | 9,382              | 247                    | -  | 9,629               | 1,668,703           | 2,461,719           |
| Professional fees and contract services  | 19,281             | 319,704                 | 3,050,912              | 374,886            | 6,528,563                                    | 10,293,346          | 585,043            | 344,564                | 264,390  | 1,193,997           | 11,487,343          | 7,557,732           |
| Office supplies and expenses   | 9,003              | 151,599                 | 201,613                | 81,255             | 487,812                                      | 931,282             | 122,013            | 160,834                | 146,422  | 429,269             | 1,360,551           | 1,806,816           |
| Telephone  | 4,200              | 69,462                  | 71,238                 | 33,831             | 123,547                                      | 302,278             | 15,570             | 75,066                 | -  | 90,636              | 392,914             | 461,779             |
| Postage and shipping   | 2,560              | 86,077                  | 214,675                | 40,757             | 80,837                                       | 424,906             | 201,579            | 45,430                 | -  | 247,009             | 671,915             | 876,122             |
| Building occupancy   | 29,840             | 468,288                 | 467,511                | 235,845            | 624,778                                      | 1,826,262           | 111,829            | 533,261                | -  | 645,090             | 2,471,352           | 2,541,774           |
| Insurance  | 2,259              | 35,457                  | 57,794                 | 17,858             | 74,323                                       | 187,691             | 56,012             | 40,377                 | -  | 96,389              | 284,080             | 321,629             |
| Printing and publications  | 419                | 11,331                  | 1,288,210              | 53,453             | 59,201                                       | 1,412,614           | 271,206            | 7,487                  | -  | 278,693             | 1,691,307           | 1,843,379           |
| Public relations   | 401                | 166,488                 | 61,560                 | 34,154             | 349,500                                      | 612,103             | 616,205            | 7,165                  | -  | 623,370             | 1,235,473           | 1,700,959           |
| Conferences and meetings   | 1,117              | 26,497                  | 1,289,597              | 318,523            | 393,533                                      | 2,029,267           | 1,186,394          | 19,966                 | 1,048,834  | 2,255,194           | 4,284,461           | 4,940,941           |
| Meetings and travel- volunteers  | 1,237              | 21,152                  | 246,692                | 51,603             | 65,585                                       | 386,269             | 77,876             | 22,103                 | -  | 99,979              | 486,248             | 1,221,960           |
| Meeting and travel - staff   | 3,171              | 55,626                  | 201,180                | 41,666             | 297,538                                      | 599,181             | 124,251            | 56,666                 | -  | 180,917             | 780,098             | 1,268,501           |
| Meetings and travel - medical  | -                  | -                       | 535,429                | 160                | 3,414  | 539,003             | 134                | -                      | -  | 134                 | 539,137             | 602,836             |
| Cost of donated vehicles, provider fees  | -                  | -                       | -                      | -                  | -  | -                   | -                  | -                      | 921,515  | 921,515             | 921,515             | 1,212,385           |
| Subscriptions and publications   | 475                | 8,667                   | 16,488                 | 14,424             | 15,094                                       | 55,148              | 1,929              | 8,492                  | -  | 10,421              | 65,569              | 84,869              |
| Direct assistance to patients  | -                  | -                       | -                      | 1,017,379          | -  | 1,017,379           | -                  | -                      | -  | -                   | 1,017,379           | 1,308,659           |
| Membership dues and support  | 268                | 4,704                   | 6,229                  | 2,117              | 14,880                                       | 28,198              | 2,093              | 4,788                  | -  | 6,881               | 35,079              | 45,331              |
| Miscellaneous expenses   | 10,327             | 163,135                 | 191,394                | 87,382             | 244,718                                      | 696,956             | 455,665            | 184,554                | -  | 640,219             | 1,337,175           | 1,363,009           |
| Depreciation and amortization  | 1,109,303          | 3,981,715               | 13,234,884             | 3,918,192          | 14,247,955                                   | 36,492,049          | 4,368,605          | 4,238,610              | 2,381,161  | 10,988,376          | 47,480,425          | 56,536,903          |
|  | 2,825              | 44,332                  | 41,689                 | 22,325             | 56,337                                       | 167,508             | 9,819              | 50,482                 | -  | 60,301              | 227,809             | 250,908             |
|  | 1,112,128          | 4,026,047               | 13,276,573             | 3,940,517          | 14,304,292                                   | 36,659,557          | 4,378,424          | 4,289,092              | 2,381,161  | 11,048,677          | 47,708,234          | 56,787,811          |
| Less: Direct benefit costs   | -                  | -                       | -                      | -                  | -  | -                   | -                  | -                      | (1,459,646)  | (1,459,646)         | (1,459,646)         | (1,663,141)         |
| Donated vehicles cost of sales and selling expenses                                    | -                  | -                       | -                      | -                  | -  | -                   | -                  | -                      | (921,515)  | (921,515)           | (921,515)           | (1,212,385)         |
| <b>Total Expenses Reported by Function in the Consolidated Statement of Activities</b> | <b>\$1,112,128</b> | <b>\$4,026,047</b>      | <b>\$13,276,573</b>    | <b>\$3,940,517</b> | <b>\$14,304,292</b>                          | <b>\$36,659,557</b> | <b>\$4,378,424</b> | <b>\$4,289,092</b>     | <b>\$ -</b>  | <b>\$ 8,667,516</b> | <b>\$45,327,073</b> | <b>\$53,912,285</b> |
| <b>Current Year Percentages</b>  | <b>2.45%</b>       | <b>8.89%</b>            | <b>29.29%</b>          | <b>8.69%</b>       | <b>31.56%</b>                                | <b>80.88%</b>       | <b>9.66%</b>       | <b>9.46%</b>           | <b>-%</b>  | <b>19.12%</b>       | <b>100.00%</b>      | <b>-%</b>           |
| <b>Last Year's Percentages</b>   | <b>6.35%</b>       | <b>13.22%</b>           | <b>27.01%</b>          | <b>10.13%</b>      | <b>22.37%</b>                                | <b>79.08%</b>       | <b>9.19%</b>       | <b>11.73%</b>          | <b>-%</b>  | <b>20.92%</b>       | <b>-%</b>           | <b>100.00%</b>      |

*See accompanying notes to consolidated financial statements.*

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### 1. Nature of Organization

The National Kidney Foundation, Inc. (the "Foundation"), headquartered in New York City, has a chartered network of 12 affiliated organizations ("Affiliates") and 21 regional offices at June 30, 2012 across the country to implement its mission to prevent kidney and urinary tract diseases, improve the health and well-being of individuals and families affected by these diseases and increase the availability of all organs for transplantation. Founded in 1950 to address the critical impact of the diseases referred to above, the Foundation conducts nationwide educational campaigns about the role of the kidney in maintaining overall health, the importance of early detection and organ donation and transplantation. Under the provisions of a charter with the Foundation, each Affiliate must meet certain requirements regarding organizational structure, program services and fundraising.

### 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.

#### *(b) Financial Statement Presentation*

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

These classes are defined as follows:

- (i) Permanently Restricted* - Net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.
- (ii) Temporarily Restricted* - Net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) Unrestricted* - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

#### *(c) Cash and Cash Equivalents*

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

At times, the Foundation maintained cash equivalents in financial institutions which exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### *(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.

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

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

### *(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 either 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.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### *(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 using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the remaining period of the lease or their estimated useful lives.

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

### *(i) Impairment of Long-Lived Assets*

The Foundation follows the provisions of ASC 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets", which requires the Foundation to review long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended June 30, 2012 and 2011 there have been no such losses.

### *(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

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*(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.

*(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".

*(m) 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.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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*(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 approximately \$27,000 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, 2012. The costs associated with the restructuring were severance and unemployment insurance expense incurred as a result of the workforce reduction restructuring plan.

*(n) 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.

*(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 year ended June 30, 2012.

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 not 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, 2012, there were no interest or penalties recorded or included in the consolidated financial statements.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### *(p) Endowment Funds*

The Foundation's endowment fund consists of investments that are permanently restricted. The Foundation follows the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as they relate to its permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010. Previously, the Foundation followed the requirements of the Uniform Prudent Management of Institutional Funds Act of 1972 ("UPMIFA").

This law made 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, impractical or wasteful.

The following applies to the endowment fund:

#### *Interpretation of Relevant Law*

The Finance Committee of the Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent fund, (b) the original value of subsequent gifts 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 investment income earned on the accumulations to the permanently restricted endowment funds is classified based on donor stipulations as either unrestricted or temporarily restricted net assets until the donor-imposed restrictions have been met.

#### *Investment and Spending Policies*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation's long-term strategy is to target diversified asset allocation that includes both equity and fixed income securities. However, in prior years, the Foundation has elected to invest endowment assets in cash and cash equivalents due to market conditions in an attempt to preserve the principal on such assets. At June 30, 2012 and 2011, there was approximately \$1,177,000 of the endowment invested in cash and cash equivalents.

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;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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- the expected total return from income and the appreciation/depreciation of investments.
- purposes of donor-restricted endowment fund; and
- the investment and spending policies of the Foundation's endowment investment returns distribution policy, which mandates appropriations of donor-restricted assets to be deemed prudent by the Finance Committee of the Board of Directors before expenditure.

### *(q) 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, 2011, from which the summarized information was derived.

### *(r) 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.

### *(s) Recently Issued Accounting Pronouncement*

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 amended ASC 820 to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRSs"). Some of the amendments clarify the application of existing fair value measurement and disclosure requirements, while other amendments change a particular principle or requirements for measuring fair value or disclosing information about fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the combined 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, 2012 and 2011 consisted of the following:

#### *June 30, 2012*

|                          | Cost               | Fair Value          |
|--------------------------|--------------------|---------------------|
| <b>Assets</b>            |                    |                     |
| Equity securities        | \$1,520,141        | \$1,801,841         |
| Money market funds       | 689,547            | 689,547             |
| Mutual funds             | 3,253,896          | 3,822,353           |
| Fixed income             | 1,609,894          | 3,862,977           |
| <b>Total investments</b> | <b>\$7,073,478</b> | <b>\$10,176,718</b> |

#### *June 30, 2011*

|                          | Cost               | Fair Value          |
|--------------------------|--------------------|---------------------|
| <b>Assets</b>            |                    |                     |
| Equity securities        | \$1,479,536        | \$1,889,178         |
| Money market funds       | 812,960            | 812,960             |
| Mutual funds             | 3,568,075          | 4,773,198           |
| Fixed income             | 3,631,907          | 3,811,931           |
| <b>Total investments</b> | <b>\$9,492,478</b> | <b>\$11,287,267</b> |

Included in the above are assets held under split-interest agreements in the amount of approximately \$617,000 and \$1,031,000 at June 30, 2012 and 2011, respectively (see Note 7).

At June 30, 2012 and 2011, approximately \$6,400,000 and \$8,500,000, 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, 2012 and 2011, by caption on the consolidated balance sheet, within the ASC 820 valuation hierarchy defined above:

*June 30, 2012*

|                          | 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>            |  |   |   |                     |
| Equity securities:       |  |   |   |                     |
| U.S. equities            | \$1,722,674  | \$ -  | \$-   | \$ 1,722,674        |
| Non-U.S. equities        | 79,167   | -   | -   | 79,167              |
| Money market funds       | 689,547  | -   | -   | 689,547             |
| Mutual funds:            |  |   |   |                     |
| Convertible securities   | -  | 291,692                                       | -   | 291,692             |
| Foreign large-cap blend  | -  | 970,256                                       | -   | 970,256             |
| Large-cap blend          | -  | 10,056  | -   | 10,056              |
| Large-cap growth         | -  | 514,013                                       | -   | 514,013             |
| Large-cap value          | -  | 1,278,468                                     | -   | 1,278,468           |
| Mid-cap blend            | -  | 406,623                                       | -   | 406,623             |
| Mid-cap value            | -  | 2,212   | -   | 2,212               |
| Mid-cap growth           | -  | 278,924                                       | -   | 278,924             |
| Small-cap blend          | -  | 18,987  | -   | 18,987              |
| Small-cap growth         | -  | 1,265   | -   | 1,265               |
| Short-term bond          | -  | 49,857  | -   | 49,857              |
| Fixed income:            |  |   |   |                     |
| Government obligations   | 388,736  | -   | -   | 388,736             |
| High yield bond          | -  | 629   | -   | 629                 |
| Intermediate government  | -  | 65,982  | -   | 65,982              |
| Intermediate-term bond   | -  | 2,578,259                                     | -   | 2,578,259           |
| U.S. treasury            | 111,661  | -   | -   | 111,661             |
| World bond               | -  | 655,226                                       | -   | 655,226             |
| Other                    | -  | 62,484  | -   | 62,484              |
| <b>Total investments</b> | <b>\$2,991,785</b>   | <b>\$7,184,933</b>                            | <b>\$-</b>                                      | <b>\$10,176,718</b> |

*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) |                     |
| <b>Assets</b>            |  |   |   |                     |
| Equity securities:       |  |   |   |                     |
| 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           | -  | 225,660                                       | -   | 225,660             |
| 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             |
| <b>Total investments</b> | <b>\$2,969,896</b>   | <b>\$8,317,371</b>                            | <b>\$-</b>                                      | <b>\$11,287,267</b> |

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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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, 2012, there were no unfunded commitments. In addition, there were no transfers between levels during the years ended June 30, 2012 and 2011.

### 4. Other Receivables

Other receivables as of June 30, 2012 and 2011 are as follows:

| <i>June 30,</i>  | 2012             | 2011               |
|--|------------------|--------------------|
| Contributions receivable, net                                  | \$108,258        | \$ 194,051         |
| Beneficial interest in charitable remainder trusts and estates | 11,427           | 733,450            |
| Contractual grants and miscellaneous receivables               | 788,996          | 1,312,178          |
|  | <b>\$908,681</b> | <b>\$2,239,679</b> |

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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>           | 2012             | 2011             |
|---------------------------|------------------|------------------|
| Within one year           | \$ 44,278        | \$105,955        |
| Two to five years         | 64,317           | 88,690           |
| Discount to present value | (337)            | (594)            |
|                           | <b>\$108,258</b> | <b>\$194,051</b> |

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The discount rates to present value varied from 0.21% to 0.72%.

### 5. Fixed Assets

At June 30, 2012 and 2011, fixed assets, net consisted of the following:

| <i>June 30,</i>                                 | 2012              | 2011              |
|---|-------------------|-------------------|
| Furniture and equipment                         | \$ 1,818,854      | \$ 1,921,416      |
| Leasehold improvements                          | 264,964           | 264,964           |
| Capitalized software                            | 251,884           | 255,162           |
|   | <b>2,335,702</b>  | <b>2,441,542</b>  |
| Less: Accumulated depreciation and amortization | (1,993,543)       | (1,961,156)       |
|   | <b>\$ 342,159</b> | <b>\$ 480,386</b> |

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# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### 6. Deferred Income

Deferred income as of June 30, 2012 and 2011 is as follows:

| <i>June 30,</i>              | 2012               | 2011               |
|------------------------------|--------------------|--------------------|
| HQ programs and projects     | \$3,558,280        | \$4,166,494        |
| Membership and subscriptions | 597,929            | 879,090            |
| Special events               | 442,105            | 450,123            |
|                              | <b>\$4,598,314</b> | <b>\$5,495,707</b> |

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### 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, 2012 and 2011, the total assets held under split-interest agreements were approximately \$617,000 and \$1,031,000, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was approximately \$411,000 and \$426,000 at June 30, 2012 and 2011, respectively, and was calculated using interest rates ranging from 3.6% to 7.4%.

### 8. Lines of Credit

During the year ended June 30, 2012, the Foundation renewed a \$6,000,000 line of credit with a financial institution maturing on February 28, 2013, at which time all outstanding principal and interest payments will be due and payable. Interest payments on all unpaid principal, which was \$2,000,000 at June 30, 2012, are due on a monthly basis. The interest on the outstanding balance is approximately 1.9% at June 30, 2012.

### 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, 2012 and 2011 amounted to approximately \$351,000 and \$464,000, respectively.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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### *(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. At June 30, 2012, the Plan was fully funded and the Foundation did not incur any benefit expense. For the year ended June 30, 2011, expense related to the Plan was approximately \$162,000. The fully funded liability related to the Plan amounted to approximately \$391,000 and \$363,000 at June 30, 2012 and 2011, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

(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, 2012 and 2011 totaled approximately \$7,000 and \$325,000, respectively. The fully funded liability related to the plan amounted to approximately \$469,000 and \$927,000 at June 30, 2012 and 2011, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

## 10. Commitments

### *(a) Operating Leases*

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, 2012 and 2011, deferred rent of approximately \$620,000 and \$673,000, respectively, is reflected in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

Rent expense approximated \$2,316,000 and \$2,400,000 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments are as follows:

|            |              |
|------------|--------------|
| 2013       | \$ 1,823,273 |
| 2014       | 1,657,586    |
| 2015       | 1,579,013    |
| 2016       | 1,218,692    |
| 2017       | 1,039,503    |
| Thereafter | 3,574,849    |
|            | <hr/>        |
|            | \$10,892,916 |

### *(b) Awards and Grants*

As of June 30, 2012 and 2011, 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 \$872,000 and \$2,462,000 for the years ended June 30, 2012 and 2011, respectively.

# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

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The outstanding commitments for research projects, \$350,000, which are conditional at June 30, 2012, are scheduled for funding during the 2013 fiscal year. These projects will be funded by unrestricted and certain temporarily restricted net assets and support and revenue to be generated by the Foundation.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2012 and 2011:

| <i>June 30,</i>          | 2012               | 2011                |
|--------------------------|--------------------|---------------------|
| Research endowment funds | \$6,422,022        | \$ 8,534,185        |
| Other research           | 625,004            | 1,293,784           |
| Other programs           | 1,483,290          | 1,429,926           |
|                          | <b>\$8,530,316</b> | <b>\$11,257,895</b> |

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Temporarily restricted net assets were released from restrictions in fiscal 2012 and 2011 as follows:

|                          | 2012               | 2011               |
|--------------------------|--------------------|--------------------|
| Research endowment funds | \$1,717,472        | \$1,382,931        |
| Other research           | 814,098            | 813,963            |
| Other programs           | 1,464,676          | 2,742,311          |
|                          | <b>\$3,996,246</b> | <b>\$4,939,205</b> |

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### 12. 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, 2012 and 2011 is to be used as follows:

| <i>June 30,</i>        | 2012               | 2011               |
|------------------------|--------------------|--------------------|
| 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            |
|                        | <b>\$1,350,957</b> | <b>\$1,350,957</b> |

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# National Kidney Foundation, Inc.

## Notes to Consolidated Financial Statements

The following tables represent the endowment net asset composition by type of fund as of June 30, 2012 and 2011:

| <i>June 30,</i>           | 2012        | 2011        |
|---------------------------|-------------|-------------|
| Cash and cash equivalents | \$1,176,720 | \$1,176,720 |
| Equity securities         | 87,119      | 87,119      |
| Fixed income securities   | 87,118      | 87,118      |
|                           | \$1,350,957 | \$1,350,957 |

Changes in endowment net assets for the year ended June 30, 2012 consisted of the following:

|   | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total       |
|---|--------------|---------------------------|---------------------------|-------------|
| Endowment net assets, beginning of year | \$-          | \$-                       | \$1,350,957               | \$1,350,957 |
| Investment return:                      |              |                           |                           |             |
| Investment income, net                  | -            | -                         | 11,767                    | 11,767      |
| Contributions                           | -            | -                         | -                         | -           |
| Expended and released from restrictions | -            | -                         | (11,767)                  | (11,767)    |
| Endowment net assets, end of year       | \$-          | \$-                       | \$1,350,957               | \$1,350,957 |

### 13. Subsequent Events

The Foundation's management has performed subsequent event procedures through October 4, 2012, 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.