National Kidney Foundation, Inc.

Consolidated Financial Statements
Year Ended June 30, 2013

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Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the National Kidney Foundation, Inc. (the "Foundation"), which are comprised of the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements. Information for the year ended June 30, 2012 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 4, 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Kidney Foundation, Inc. as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

September 30, 2013

National Kidney Foundation, Inc.

Consolidated Balance Sheet
(with comparative totals for 2012)

June 30,	**2013**	2012
Assets		
Cash and cash equivalents	**$ 874,990**	$ 2,905,763
Investments, at fair value (Note 3)	**10,298,804**	9,559,604
Investments held under split-interest agreements (Notes 3 and 7)	**586,624**	617,114
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of $250,061 in 2013 and $188,115 in 2012	**626,481**	349,157
Other receivables (Note 4)	**787,313**	908,681
Inventories	**122,246**	186,712
Prepaid expenses	**347,867**	519,709
Other assets	**78,730**	78,134
Fixed assets, at cost, less accumulated depreciation and amortization (Note 5)	**288,402**	342,159
	$14,011,457	$15,467,033
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (Note 10)	**$ 5,365,679**	$ 6,990,088
Deferred income (Note 6)	**2,630,276**	4,598,314
Payable to beneficiaries (Note 7)	**419,058**	410,572
Line of credit payable (Note 8)	**2,500,000**	1,500,000
Total Liabilities	**10,915,013**	13,498,974
Commitments (Notes 7, 8, 9, 10, 11 and 12)		
Net Assets (Deficit) (Notes 11 and 12):		
Unrestricted	**(4,787,984)**	(7,913,214)
Temporarily restricted	**6,689,332**	8,530,316
Permanently restricted	**1,195,096**	1,350,957
Total Net Assets	**3,096,444**	1,968,059
	$14,011,457	$15,467,033

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities
(with comparative totals for 2012)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Revenue:					
Support from the public:					
Received directly – contributions	$ 5,591,179	$ 1,016,611	$ -	**$ 6,607,790**	$ 7,208,388
Received indirectly – share of affiliate contributions	1,901,035	-	-	**1,901,035**	2,187,451
Received indirectly – contributions	775,036	57,104	-	**832,140**	919,653
	8,267,250	1,073,715	-	**9,340,965**	10,315,492
Revenue from sales of donated vehicles	2,890,957	-	-	**2,890,957**	4,273,185
Less cost of sales	(719,741)	-	-	**(719,741)**	(921,515)
Net Revenue From Sales of Donated Vehicles	2,171,216	-	-	**2,171,216**	3,351,670
Revenue from special events	11,995,701	-	-	**11,995,701**	12,539,269
Less direct benefit to donor costs	(1,447,939)	-	-	**(1,447,939)**	(1,459,647)
Net Revenue From Special Events	10,547,762	-	-	**10,547,762**	11,079,622
Total Support From the Public	20,986,228	1,073,715	-	**22,059,943**	24,746,784
Program service fees	11,352,256	-	-	**11,352,256**	18,928,427
Royalties	1,986,602	-	-	**1,986,602**	1,858,599
Dues – professional members	655,150	-	-	**655,150**	718,390
Investment income (loss), including cumulative realized and unrealized gains (losses) of $645,980 in 2013 and $(589,613) in 2012	879	895,014	-	**895,893**	(362,219)
Other, net	1,179,928	101,405	-	**1,281,333**	1,211,952
Net assets released from restrictions (Note 11)	4,066,979	(4,066,979)	-	**-**	-
Net asset reclassification (Note 12)	-	155,861	(155,861)	**-**	-
	19,241,794	(2,914,699)	(155,861)	**16,171,234**	22,355,149
Total Revenue	40,228,022	(1,840,984)	(155,861)	**38,231,177**	47,101,933

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities
(with comparative totals for 2012)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Expenses:					
Program services:					
Research	$ 750,355	$ -	$ -	**$ 750,355**	$ 1,112,128
Public health education	4,467,197	-	-	**4,467,197**	4,026,047
Professional education	11,279,670	-	-	**11,279,670**	13,276,573
Patient services	4,042,131	-	-	**4,042,131**	3,940,517
Community services and assistance to affiliates	8,622,213	-	-	**8,622,213**	14,304,292
Total Program Services	29,161,566	-	-	**29,161,566**	36,659,557
Supporting services:					
Fundraising	4,057,953	-	-	**4,057,953**	4,378,424
Management and general:					
Administrative	3,883,273	-	-	**3,883,273**	4,262,297
Restructuring costs	-	-	-	**-**	26,795
Total Management and General	3,883,273	-	-	**3,883,273**	4,289,092
Total Supporting Services	7,941,226	-	-	**7,941,226**	8,667,516
Total Expenses	37,102,792	-	-	**37,102,792**	45,327,073
Change in Net Assets	3,125,230	(1,840,984)	(155,861)	**1,128,385**	1,774,860
Net Assets (Deficit) at Beginning of Year	(7,913,214)	8,530,316	1,350,957	**1,968,059**	193,199
Net Assets (Deficit) at End of Year	**$(4,787,984)**	**$ 6,689,332**	**$1,195,096**	**$ 3,096,444**	$ 1,968,059

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Cash Flows
(with comparative totals for 2012)

Year ended June 30,	**2013**	2012
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,128,385**	$ 1,774,860
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**148,423**	227,809
Allowance for uncollectible accounts	**(36,370)**	331,668
Realized and unrealized (gains) losses on investments	**(645,980)**	589,613
Decrease (increase) in assets:		
Due from affiliates	**(240,954)**	132,724
Other receivables	**121,368**	1,133,753
Inventories	**64,466**	140,391
Prepaid expenses	**171,842**	167,274
Other assets	**(596)**	(3,265)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(1,624,409)**	(2,974,102)
Deferred income	**(1,968,038)**	(897,393)
Payable to beneficiaries	**8,486**	(15,455)
Net Cash (Used In) Provided By Operating Activities	**(2,873,377)**	607,877
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(94,666)**	(89,582)
Proceeds from sale of investments	**397,235**	936,586
Purchases of investments	**(459,965)**	(415,650)
Net Cash (Used In) Provided By Investing Activities	**(157,396)**	431,354
Cash Flows From Financing Activities:		
Proceeds from line of credit	**1,000,000**	-
Repayment of line of credit	**-**	(2,000,000)
Net Cash Provided By (Used In) Financing Activities	**1,000,000**	(2,000,000)
Net Decrease in Cash and Cash Equivalents	**(2,030,773)**	(960,769)
Cash and Cash Equivalents, Beginning of Year	**2,905,763**	3,866,532
Cash and Cash Equivalents, End of Year	**$ 874,990**	$ 2,905,763
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 40,876**	$ 56,437

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Functional Expenses
(with comparative totals for 2012)

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	**2013**	2012
Salaries	$176,131	$2,235,594	$ 3,403,709	$1,485,039	$4,000,160	$11,300,633	$ 778,199	$2,302,363	$ -	$ 3,080,562	**$14,381,195**	$13,453,669
Employee benefits	16,978	215,496	613,956	197,720	604,696	1,648,846	75,681	221,932	-	297,613	**1,946,459**	2,126,244
Payroll taxes	13,988	177,551	270,323	117,942	317,694	897,498	61,805	182,854	-	244,659	**1,142,157**	1,170,213
Awards and grants	437,352	579	554,840	56,640	33,544	1,082,955	4,520	596	-	5,116	**1,088,071**	1,668,703
Professional fees and contract services	15,898	629,376	2,628,698	242,261	1,131,949	4,648,182	336,847	207,823	194,747	739,417	**5,387,599**	11,487,343
Office supplies and expenses	10,681	174,330	162,566	90,223	402,450	840,250	239,601	139,615	40,202	419,418	**1,259,668**	1,360,551
Telephone	4,578	60,011	61,062	31,859	89,732	247,242	22,357	59,847	-	82,204	**329,446**	392,914
Postage and shipping	3,299	116,798	264,061	26,751	80,595	491,504	210,118	43,115	-	253,233	**744,737**	671,915
Building occupancy	33,670	427,458	404,263	230,422	584,097	1,679,910	151,832	440,129	-	591,961	**2,271,871**	2,471,352
Insurance	2,727	34,610	29,887	20,014	65,404	152,642	35,299	35,644	-	70,943	**223,585**	284,080
Printing and publications	534	42,060	1,292,450	30,986	43,759	1,409,789	296,401	6,978	-	303,379	**1,713,168**	1,691,307
Public relations	439	81,604	12,852	28,181	298,428	421,504	677,787	5,744	-	683,531	**1,105,035**	1,235,473
Conferences and meetings	18,194	35,989	847,462	149,241	504,591	1,555,477	559,586	29,005	1,212,990	1,801,581	**3,357,058**	4,284,461
Meetings and travel- volunteers	530	36,034	85,809	23,440	34,537	180,350	40,266	6,926	-	47,192	**227,542**	486,248
Meeting and travel – staff	4,601	62,817	165,657	46,998	205,986	486,059	134,086	60,106	-	194,192	**680,251**	780,098
Meetings and travel – medical	4	51	296,169	1,179	2,624	300,027	307	53	-	360	**300,387**	539,137
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	719,741	719,741	**719,741**	921,515
Subscriptions and publications	545	7,234	16,142	4,731	18,268	46,920	2,756	7,119	-	9,875	**56,795**	65,569
Direct assistance to patients	-	-	-	1,184,980	-	1,184,980	-	-	-	-	**1,184,980**	1,017,379
Membership dues and support	439	5,576	6,052	3,006	15,943	31,016	2,278	5,743	-	8,021	**39,037**	35,079
Miscellaneous expenses	7,495	95,205	138,822	54,978	150,576	447,076	418,194	97,997	-	516,191	**963,267**	1,337,175
	748,083	4,438,373	11,254,780	4,026,591	8,585,033	29,052,860	4,047,920	3,853,589	2,167,680	10,069,189	**39,122,049**	47,480,425
Depreciation and amortization	2,272	28,824	24,890	15,540	37,180	108,706	10,033	29,684	-	39,717	**148,423**	227,809
	750,355	4,467,197	11,279,670	4,042,131	8,622,213	29,161,566	4,057,953	3,883,273	2,167,680	10,108,906	**39,270,472**	47,708,234
Less: Direct benefit costs	-	-	-	-	-	-	-	-	(1,447,939)	(1,447,939)	**(1,447,939)**	(1,459,646)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(719,741)	(719,741)	**(719,741)**	(921,515)
Total Expenses Reported by Function in the Consolidated Statement of Activities	**$750,355**	**$4,467,197**	**$11,279,670**	**$4,042,131**	**$8,622,213**	**$29,161,566**	**$4,057,953**	**$3,883,273**	**$ -**	**$ 7,941,226**	**$37,102,792**	$45,327,073
Current Year Percentages	**2.02%**	**12.04%**	**30.40%**	**10.89%**	**23.24%**	**78.59%**	**10.94%**	**10.47%**	**-%**	**21.41%**	**100.00%**	-%
Last Year's Percentages	2.45%	8.89%	29.29%	8.69%	31.56%	80.88%	9.66%	9.46%	-%	19.12%	-%	100.00%

See accompanying 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 12 affiliated organizations ("Affiliates") and 21 regional offices at June 30, 2013 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. The Foundation had an indirectly controlled international not-for-profit affiliate in Belgium, known as Kidney Disease Improving Global Outcomes ("KDIGO"), up to September 30, 2012 when the relationship was terminated. All 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.

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

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

(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, 2013 and 2012 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.

(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.

(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.

(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 both the years ended June 30, 2013 and 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 both the years ended June 30, 2013 and 2012, there were no interest or penalties recorded or included in the consolidated financial statements. The Foundation is no longer subject to income tax examination by U.S. Federal, state and local tax authorities for years before 2010, which is the standard statute of limitation look-back period.

(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 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 NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the endowment fund, (b) the original value of subsequent gifts to the endowment fund and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the endowment fund 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.

The Foundation may appropriate endowment investment returns for distribution each year up to 4% of the ending market value of the endowment fund over the previous three years and considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments; and
- purposes of donor-restricted endowment fund.

(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, 2012, 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.

3. Investments at Fair Value

The fair value and cost of investments and investments held under split-interest agreements at June 30, 2013 and 2012 consisted of the following:

June 30, 2013

	Cost	Fair Value
Assets		
Equity securities	**$1,682,559**	**$ 2,204,925**
Money market funds	**478,292**	**478,292**
Mutual funds	**3,587,583**	**4,459,342**
Fixed income	**1,548,269**	**3,742,869**
Total investments	**$7,296,703**	**$10,885,428**

June 30, 2012

	Cost	Fair Value
Assets		
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
Total investments	$7,073,478	$10,176,718

Included in the above are assets held under split-interest agreements in the amount of $586,624 and $617,114 at June 30, 2013 and 2012, respectively.

At June 30, 2013 and 2012, approximately $4,437,000 and $6,400,000, 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.

The following tables present the financial instruments as of June 30, 2013 and 2012, by caption on the consolidated balance sheet, within the ASC 820 valuation hierarchy defined above:

June 30, 2013

	Fair Value			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Equity securities:				
U.S. equities	**$2,204,925**	**$ -**	**$-**	**$ 2,204,925**
Money market funds	**478,292**	**-**	**-**	**478,292**
Mutual funds:				
Convertible securities	**-**	**341,565**	**-**	**341,565**
Foreign large-cap blend	**-**	**1,087,282**	**-**	**1,087,282**
Large-cap blend	**-**	**1,261,909**	**-**	**1,261,909**
Large-cap growth	**-**	**133,524**	**-**	**133,524**
Large-cap value	**-**	**1,401,246**	**-**	**1,401,246**
Mid-cap value	**-**	**2,765**	**-**	**2,765**
Mid-cap growth	**-**	**26,121**	**-**	**26,121**
Small-cap blend	**-**	**16,773**	**-**	**16,773**
Small-cap growth	**-**	**1,597**	**-**	**1,597**
Short-term bond	**-**	**186,560**	**-**	**186,560**
Fixed income:				
Government obligations	**325,138**	**-**	**-**	**325,138**
Intermediate government	**-**	**64,940**	**-**	**64,940**
Intermediate-term bond	**-**	**2,630,251**	**-**	**2,630,251**
U.S. treasury	**15,211**	**-**	**-**	**15,211**
World bond	**-**	**707,329**	**-**	**707,329**
Total investments	**$3,023,566**	**$7,861,862**	**$-**	**$10,885,428**

June 30, 2012

	Fair Value			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
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
Total investments	$2,991,785	$7,184,933	$-	$10,176,718

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, 2013, there were no unfunded commitments. In addition, there were no transfers between levels during the years ended June 30, 2013 and 2012.

4. Other Receivables

Other receivables as of June 30, 2013 and 2012 are as follows:

June 30,	**2013**	2012
Pledges receivable, net	**$ 55,610**	$108,258
Beneficial interest in charitable remainder trusts and estates	**114,702**	11,427
Contractual grants and miscellaneous receivables	**617,001**	788,996
	$787,313	$908,681

Included in other receivables are pledges receivable which represent unconditional promises to give. Pledges receivable are reported at their net present value calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time the pledges are made and equal in duration to the length of time that the pledge is expected to be paid over.

The following represents future payments due:

June 30,	**2013**	2012
Within one year	**$24,935**	$ 44,278
Two to five years	**30,865**	64,317
Discount to present value	**(190)**	(337)
	$55,610	$108,258

The discount rates to present value varied from 0.15% to 0.66%.

5. Fixed Assets

At June 30, 2013 and 2012, fixed assets, net consisted of the following:

June 30,	**2013**	2012
Furniture and equipment	**$ 1,906,993**	$ 1,818,854
Leasehold improvements	**264,964**	264,964
Capitalized software	**258,199**	251,884
	2,430,156	2,335,702
Less: Accumulated depreciation and amortization	**(2,141,754)**	(1,993,543)
	$ 288,402	$ 342,159

6. Deferred Income

Deferred income as of June 30, 2013 and 2012 is as follows:

June 30,	**2013**	2012
HQ programs and projects	**$1,651,937**	$3,558,280
Membership and subscriptions	**570,182**	597,929
Special events	**408,157**	442,105
	$2,630,276	$4,598,314

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, 2013 and 2012, the total assets held under split-interest agreements were $586,624 and $617,114, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation’s payable to beneficiaries was approximately $419,000 and $411,000 at June 30, 2013 and 2012, respectively, and was calculated using interest rates ranging from 1.2% to 7.4%.

8. Line of Credit

During the year ended June 30, 2013, the Foundation renewed a $6,000,000 line of credit with a financial institution maturing on February 28, 2014, at which time all outstanding principal and interest payments will be due and payable. Interest payments on all unpaid principal, which was $42,858 at June 30, 2013, are due on a monthly basis. The interest rate on the outstanding balance is 1.74% at June 30, 2013.

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, 2013 and 2012 amounted to approximately $487,000 and $351,000, 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. At June 30, 2013, the Plan was fully funded and the Foundation did not incur any benefit expense.

The fully funded liability related to the Plan amounted to approximately $313,000 and $391,000 at June 30, 2013 and 2012, 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 former key employee. The fully funded liability related to the plan amounted to approximately $522,000 and $469,000 at June 30, 2013 and 2012, 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, 2013 and 2012, deferred rent of approximately $645,000 and $620,000, respectively, is reflected in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

Rent expense approximated $2,118,000 and $2,316,000 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments are as follows:

2014	$1,778,476
2015	1,712,827
2016	1,280,478
2017	1,028,950
2018	997,246
Thereafter	2,483,946
	$9,281,923

(b) Awards and Grants

As of June 30, 2013 and 2012, 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 $437,000 and $872,000 for the years ended June 30, 2013 and 2012, respectively.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2013 and 2012:

June 30,	**2013**	2012
Research endowment funds	**$4,437,159**	$6,422,022
Other research	**462,578**	625,004
Other programs	**1,789,595**	1,483,290
	$6,689,332	$8,530,316

Temporarily restricted net assets were released from restrictions in fiscal 2013 and 2012 as follows:

	2013	2012
Research endowment funds	**$2,365,393**	$1,717,472
Other research	**81,798**	814,098
Other programs	**1,619,788**	1,464,676
	$4,066,979	$3,996,246

12. Permanently Restricted Net Assets

Permanently restricted net assets consist of investments that are to be held in perpetuity. The permanently restricted net assets held at June 30, 2013 and 2012 are to be used as follows:

June 30,	**2013**	2012
Enuresis research	**$ 174,237**	$ 174,237
Other research	**292,209**	425,638
Patient services	**95,000**	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
	$1,195,096	$1,350,957

The following table represents the endowment investment composition by type of fund as of June 30, 2013 and 2012:

June 30,	**2013**	2012
Cash and cash equivalents	**$ -**	$1,176,720
Mutual funds	**444,829**	-
Equity securities	**236,590**	87,119
Fixed income securities	**513,677**	87,118
	$1,195,096	$1,350,957

Changes in endowment net assets for the year ended June 30, 2013 consisted of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$1,350,957	$1,350,957
Investment income	190,641	-	190,641
Appropriation of endowment assets for expenditure	(50,346)	-	(50,346)
Reclassification of net assets	155,861	(155,861)	-
Endowment net assets, end of year	$296,156	$1,195,096	$1,491,252

During the adoption of NYPMIFA, management reviewed all the endowment funds that were received from the transition of Affiliates to divisions and identified two funds that did not meet the provisions of permanently restricted endowments under NYPMIFA. The value of these funds totaled $155,861, which were reclassified to temporarily restricted net assets on June 30, 2013.

13. Subsequent Events

The Foundation's management has performed subsequent event procedures through September 30, 2013, 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.