

National Kidney Foundation, Inc.

Consolidated Financial Statements Year Ended June 30, 2014

National Kidney Foundation, Inc.

Consolidated Financial Statements
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National Kidney Foundation, Inc.

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements:	
Balance Sheet as of June 30, 2014	5
Statement of Activities for the Year Ended June 30, 2014	6-7
Statement of Cash Flows for the Year Ended June 30, 2014	8
Statement of Functional Expenses for the Year Ended June 30, 2014	9
Notes to Consolidated Financial Statements	10-22



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, 2014, 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.

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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2013 financial statements, and our report, dated September 30, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 7, 2014

National Kidney Foundation, Inc.

Consolidated Balance Sheet (with comparative totals for 2013)

<i>June 30,</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 4,222,575	\$ 874,990
Investments, at fair value (Note 3)	6,806,908	10,298,804
Investments held under split-interest agreements (Notes 3 and 7)	515,921	586,624
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$301,451 in 2014 and \$250,061 in 2013	610,103	626,481
Other receivables, less allowance for uncollectible amounts of \$85,734 in 2014 and \$112,787 in 2013 (Note 4)	480,869	787,313
Inventories	164,500	122,246
Prepaid expenses	489,630	347,867
Other assets	84,729	78,730
Fixed assets, at cost, less accumulated depreciation and amortization (Note 5)	313,074	288,402
	\$13,688,309	\$14,011,457
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,061,256	\$ 5,365,679
Deferred income (Note 6)	3,326,178	2,630,276
Payable to beneficiaries (Note 7)	410,150	419,058
Line of credit payable (Note 8)	-	2,500,000
Total Liabilities	7,797,584	10,915,013
Commitments (Notes 7, 8, 9, 10, 11 and 12)		
Net Assets (Deficit) (Notes 11 and 12):		
Unrestricted	(1,102,488)	(4,787,984)
Temporarily restricted	5,798,117	6,689,332
Permanently restricted	1,195,096	1,195,096
Total Net Assets	5,890,725	3,096,444
	\$13,688,309	\$14,011,457

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities (with comparative totals for 2013)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Revenue:					
Support from the public:					
Received directly - contributions	\$ 7,081,453	\$ 790,561	\$-	\$ 7,872,014	\$ 6,607,790
Received indirectly - share of affiliate contributions	1,628,906	-	-	1,628,906	1,901,035
Received indirectly - contributions	795,485	55,114	-	850,599	832,140
	9,505,844	845,675	-	10,351,519	9,340,965
Revenue from sales of donated vehicles	2,972,611	-	-	2,972,611	2,890,957
Less cost of sales	(826,284)	-	-	(826,284)	(719,741)
Net Revenue From Sales of Donated Vehicles	2,146,327	-	-	2,146,327	2,171,216
Revenue from special events	12,190,008	-	-	12,190,008	11,995,701
Less direct benefit to donor costs	(1,437,500)	-	-	(1,437,500)	(1,447,939)
Net Revenue From Special Events	10,752,508	-	-	10,752,508	10,547,762
Total Support From the Public	22,404,679	845,675	-	23,250,354	22,059,943
Program service fees	8,745,323	-	-	8,745,323	11,352,256
Royalties	2,259,447	-	-	2,259,447	1,986,602
Dues - professional members	606,730	-	-	606,730	655,150
Investment income, including cumulative realized and unrealized gains of \$992,731 in 2014 and \$645,980 in 2013	1,011	1,246,979	-	1,247,990	895,893
Other, net	1,236,532	-	-	1,236,532	1,281,333
Net assets released from restrictions (Note 11)	2,983,869	(2,983,869)	-	-	-
	15,832,912	(1,736,890)	-	14,096,022	16,171,234
Total Revenue	38,237,591	(891,215)	-	37,346,376	38,231,177

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Activities (with comparative totals for 2013)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Expenses:					
Program services:					
Research	\$ 618,119	\$ -	\$ -	\$ 618,119	\$ 750,355
Public health education	4,060,798	-	-	4,060,798	4,467,197
Professional education	11,059,090	-	-	11,059,090	11,279,670
Patient services	4,095,153	-	-	4,095,153	4,042,131
Community services and assistance to affiliates	7,460,275	-	-	7,460,275	8,622,213
Total Program Services	27,293,435	-	-	27,293,435	29,161,566
Supporting services:					
Fundraising	3,063,181	-	-	3,063,181	4,057,953
Management and general: Administrative	4,195,479	-	-	4,195,479	3,883,273
Total Supporting Services	7,258,660	-	-	7,258,660	7,941,226
Total Expenses	34,552,095	-	-	34,552,095	37,102,792
Change in Net Assets	3,685,496	(891,215)	-	2,794,281	1,128,385
Net Assets (Deficit) at Beginning of Year	(4,787,984)	6,689,332	1,195,096	3,096,444	1,968,059
Net Assets (Deficit) at End of Year	\$ (1,102,488)	\$5,798,117	\$1,195,096	\$ 5,890,725	\$ 3,096,444

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Consolidated Statement of Cash Flows (with comparative totals for 2013)

<i>Year ended June 30,</i>	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,794,281	\$ 1,128,385
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	116,684	148,422
Allowance for uncollectible accounts	24,337	(36,370)
Realized and unrealized gains on investments	(992,731)	(645,980)
Donated stocks	(313,017)	-
Decrease (increase) in assets:		
Due from affiliates	(35,012)	(240,954)
Other receivables	334,497	121,368
Inventories	(42,254)	64,466
Prepaid expenses	(141,763)	171,842
Other assets	(5,999)	(595)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,304,423)	(1,624,409)
Deferred income	695,902	(1,968,038)
Payable to beneficiaries	(8,908)	8,486
Net Cash Provided By (Used In) Operating Activities	1,121,594	(2,873,377)
Cash Flows From Investing Activities:		
Purchases of fixed assets	(141,356)	(94,666)
Proceeds from sale of investments	9,887,974	397,235
Purchases of investments	(5,020,627)	(459,965)
Net Cash Provided By (Used In) Investing Activities	4,725,991	(157,396)
Cash Flows From Financing Activities:		
Proceeds from line of credit	1,800,000	1,000,000
Repayment of line of credit	(4,300,000)	-
Net Cash (Used In) Provided By Financing Activities	(2,500,000)	1,000,000
Net Increase (Decrease) in Cash and Cash Equivalents	3,347,585	(2,030,773)
Cash and Cash Equivalents, Beginning of Year	874,990	2,905,763
Cash and Cash Equivalents, End of Year	\$ 4,222,575	\$ 874,990
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 65,275	\$ 40,876

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.
Consolidated Statement of Functional Expenses
(with comparative totals for 2013)

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	2014	2013
Salaries	\$256,383	\$2,226,362	\$ 3,712,766	\$1,521,545	\$3,773,567	\$11,490,623	\$ 599,818	\$2,499,440	\$ -	\$ 3,099,258	\$14,589,881	\$14,426,905
Retirement benefits	7,304	63,445	105,801	43,359	107,532	327,441	17,095	71,224	-	88,319	415,760	487,105
Payroll taxes	19,636	170,510	284,349	116,530	289,006	880,031	45,938	191,424	-	237,362	1,117,393	1,186,388
Other employee benefits	24,349	211,437	352,600	144,501	358,374	1,091,261	56,965	237,371	-	294,336	1,385,597	1,351,016
Awards and grants	156,845	325	615,963	60,648	499	834,280	15,785	365	-	16,150	850,430	1,088,071
Patient financial assistance	-	-	-	1,121,802	-	1,121,802	-	-	-	-	1,121,802	1,184,980
Professional fees and contract services	17,411	243,688	2,343,360	107,159	188,899	2,900,517	84,912	117,019	315,201	517,132	3,417,649	4,153,266
Office supplies and expenses	7,184	65,140	232,272	51,984	357,960	714,540	10,632	70,040	106,914	187,586	902,126	1,147,397
Telephone	6,306	54,761	60,525	29,102	85,630	236,324	18,403	61,478	-	79,881	316,205	329,446
Postage and shipping	3,465	71,809	83,861	160,794	65,063	384,992	222,095	33,675	-	255,770	640,762	744,736
Building occupancy	48,043	417,292	469,293	220,550	554,173	1,709,351	113,694	468,362	-	582,056	2,291,407	2,271,870
Equipment repairs and maintenance	13,628	119,273	144,153	66,344	283,043	626,441	137,055	132,860	-	269,915	896,356	1,051,493
Insurance	4,019	34,897	35,401	17,387	64,834	156,538	12,302	39,177	-	51,479	208,017	223,585
Printing and publications	1,780	33,108	1,036,761	120,083	54,728	1,246,460	341,430	17,354	-	358,784	1,605,244	1,785,072
Marketing and promotion	1,299	118,258	19,106	19,517	342,392	500,572	499,408	12,667	-	512,075	1,012,647	1,283,358
Conferences and meetings	31,652	64,164	1,150,862	168,196	589,491	2,004,365	576,621	59,655	1,015,385	1,651,661	3,656,026	3,902,721
Meetings and travel	4,002	36,379	239,693	51,645	127,061	458,780	94,853	38,977	-	133,830	592,610	662,517
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	826,284	826,284	826,284	719,741
Dues and subscriptions	1,787	16,843	26,776	9,144	31,210	85,760	5,964	17,422	-	23,386	109,146	107,396
Cost of goods sold	-	-	18,040	-	-	18,040	-	-	-	-	18,040	44,887
Miscellaneous expenses	10,517	91,322	105,408	53,346	158,366	418,959	204,342	102,512	-	306,854	725,813	970,100
Depreciation and amortization	615,610	4,039,013	11,036,990	4,083,636	7,431,828	27,207,077	3,057,312	4,171,022	2,263,784	9,492,118	36,699,195	39,122,050
	2,509	21,785	22,100	11,517	28,447	86,358	5,869	24,457	-	30,326	116,684	148,422
Less: Direct benefit costs	618,119	4,060,798	11,059,090	4,095,153	7,460,275	27,293,435	3,063,181	4,195,479	2,263,784	9,522,444	36,815,879	39,270,472
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(1,437,500)	(1,437,500)	(1,437,500)	(1,447,939)
	-	-	-	-	-	-	-	-	(826,284)	(826,284)	(826,284)	(719,741)
Total Expenses Reported by Function in the Consolidated Statement of Activities	\$618,119	\$4,060,798	\$11,059,090	\$4,095,153	\$7,460,275	\$27,293,435	\$3,063,181	\$4,195,479	\$ -	\$ 7,258,660	\$34,552,095	\$37,102,792
Current Year Percentages	1.79%	11.75%	32.01%	11.85%	21.59%	78.99%	8.87%	12.14%	-%	21.01%	100.00%	-%
Last Year's Percentages	2.02%	12.04%	30.40%	10.89%	23.24%	78.59%	10.94%	10.47%	-%	21.41%	-%	100.00%

See accompanying notes to consolidated financial statements.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

1. Nature of Organization

The National Kidney Foundation, Inc. (the "Foundation"), headquartered in New York City, has a chartered network of 12 affiliated organizations ("Affiliates") and 25 regional offices at June 30, 2014 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 was the sole corporate member. The Foundation had indirect control of an international not-for-profit affiliate in Belgium, known as Kidney Disease Improving Global Outcomes ("KDIGO"), up to September 30, 2013 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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(d) Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement”, 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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(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 both fixed 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, 2014 and 2013 there have been no such losses.

(j) Deferred Income

Deferred income consists primarily of amounts received in advance for events, 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 on the consolidated statement of activities, 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.

(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.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(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

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

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, 2014 and 2013.

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, 2014 and 2013, 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 2011, 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.

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 as temporarily restricted net assets until appropriated in accordance with the Foundation's spending policy.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

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, 2013, 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) Reclassifications

Certain prior year balances have been reclassified to conform with the current year's presentation.

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, 2014 and 2013 consisted of the following:

June 30, 2014

	Cost	Fair Value
Assets		
Money market funds	\$ 384,978	\$ 384,978
Equity securities	243,244	355,306
Mutual funds	5,013,252	6,341,485
Fixed income	228,918	241,060
Total investments	\$5,870,392	\$7,322,829

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

Included in the above are assets held under split-interest agreements in the amount of \$515,921 and \$586,624 at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, approximately \$3,013,000 and \$4,437,000, respectively, of the investments relate to net assets temporarily restricted for research.

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, 2014 and 2013, by caption on the consolidated balance sheet, within the ASC 820 valuation hierarchy defined above:

June 30, 2014

	Fair Value			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Assets				
Money market funds	\$ 384,978	\$ -	\$-	\$ 384,978
Equity securities	355,306	-	-	355,306
Mutual funds:				
Commodities	243,764	-	-	243,764
Foreign large-cap blend	1,884,881	-	-	1,884,881
Large-cap blend	899,392	-	-	899,392
Large-cap growth	408,867	-	-	408,867
Large-cap value	396,745	-	-	396,745
Small-cap blend	288,903	-	-	288,903
Small-cap growth	290,969	-	-	290,969
Bond funds	1,927,964	-	-	1,927,964
Government bonds	-	241,060	-	241,060
Total investments	\$7,081,769	\$241,060	\$-	\$7,322,829

June 30, 2013

	Fair Value			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Assets				
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

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, 2014, there were no unfunded commitments.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

4. Other Receivables

Other receivables as of June 30, 2014 and 2013 are as follows:

<i>June 30,</i>	2014	2013
Pledges receivable, net	\$107,493	\$ 55,610
Beneficial interest in charitable remainder trusts and estates	9,000	114,702
Contractual grants and miscellaneous receivables	364,376	617,001
	\$480,869	\$787,313

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:

<i>June 30,</i>	2014	2013
Within one year	\$ 38,826	\$24,935
Two to five years	69,179	30,865
Discount to present value	(512)	(190)
	\$107,493	\$55,610

The discount rates to present value varied from 0.11% to 1.62%.

5. Fixed Assets

At June 30, 2014 and 2013, fixed assets, net consisted of the following:

<i>June 30,</i>	2014	2013
Furniture and equipment	\$ 2,033,644	\$ 1,906,993
Leasehold improvements	240,684	264,964
Capitalized software	297,184	258,199
	2,571,512	2,430,156
Less: Accumulated depreciation and amortization	(2,258,438)	(2,141,754)
	\$ 313,074	\$ 288,402

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

6. Deferred Income

Deferred income as of June 30, 2014 and 2013 is as follows:

<i>June 30,</i>	2014	2013
HQ programs and projects	\$2,463,560	\$1,651,937
Membership and subscriptions	338,227	570,182
Special events	524,391	408,157
	\$3,326,178	\$2,630,276

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, 2014 and 2013, the total assets held under split-interest agreements were \$515,921 and \$586,624, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was \$410,150 and \$419,058 at June 30, 2014 and 2013, respectively, and was calculated using interest rates ranging from 4.0% to 7.0%.

8. Line of Credit

During the year ended June 30, 2014, the Foundation renewed a \$5,000,000 line of credit with a financial institution maturing on February 28, 2015, at which time all outstanding principal and interest payments will be due and payable. There is no outstanding balance on the line of credit as of June 30, 2014.

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, 2014 and 2013 amounted to approximately \$394,000 and \$413,000, respectively.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

(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, 2014, 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 \$243,000 and \$313,000 at June 30, 2014 and 2013, 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 \$-0- and \$522,000 at June 30, 2014 and 2013, 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, 2014 and 2013, deferred rent of approximately \$626,000 and \$645,000, respectively, is reflected in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

Rent expense approximated \$2,123,000 and \$2,118,000 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments are as follows:

2015	\$1,783,858
2016	1,336,817
2017	1,042,662
2018	997,246
Thereafter	2,483,946
	<hr/>
	\$7,644,529

(b) Awards and Grants

As of June 30, 2014 and 2013, 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 \$157,000 and \$437,000 for the years ended June 30, 2014 and 2013, respectively.

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at June 30, 2014 and 2013:

<i>June 30,</i>	2014	2013
Young investigators and clinical scientists research	\$3,013,318	\$4,437,159
Other research	499,962	462,578
Other programs	2,284,837	1,789,595
	<hr/>	<hr/>
	\$5,798,117	\$6,689,332

Temporarily restricted net assets were released from restrictions in fiscal 2014 and 2013 as follows:

	2014	2013
Young investigators and clinical scientists research	\$2,028,600	\$2,365,393
Other research	51,794	81,798
Other programs	903,475	1,619,788
	<hr/>	<hr/>
	\$2,983,869	\$4,066,979

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, 2014 and 2013 are to be used as follows:

<i>June 30,</i>	2014	2013
Enuresis research	\$ 174,237	\$ 174,237
Other research	292,209	292,209
Patient services	95,000	95,000
Community services	90,680	90,680
Professional education	11,929	11,929
Public education	97,872	97,872
Undesignated programs	433,169	433,169
	<hr/>	<hr/>
	\$1,195,096	\$1,195,096

National Kidney Foundation, Inc.

Notes to Consolidated Financial Statements

The following table represents the endowment investment composition by type of fund as of June 30, 2014 and 2013:

<i>June 30,</i>	2014	2013
Cash and cash equivalents	\$ 62,830	\$ -
Equity securities	57,986	236,590
Mutual funds	1,034,939	444,829
Government bonds	39,341	513,677
	\$1,195,096	\$1,195,096

Changes in endowment net assets for the years ended June 30, 2014 and 2013 consisted of the following:

Year ended June 30, 2014

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 140,295	\$1,195,096	\$1,335,391
Investment income	158,082	-	158,082
Appropriation of endowment assets for expenditure	(53,653)	-	(53,653)
Endowment net assets, end of year	\$ 244,724*	\$1,195,096	\$1,439,820

Year ended June 30, 2013

	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	\$140,295*	\$1,195,096	\$1,335,391

* Balances represent investment income earned on permanently restricted net assets that have yet to be appropriated for expenditure at their respective year-ends.

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 October 7, 2014, 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.