



Financial Statements  
Year Ended March 31, 2016



National **Kidney** Foundation®

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Financial Statements  
Year Ended March 31, 2016

# National Kidney Foundation, Inc.

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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 financial statements of the National Kidney Foundation, Inc. (the "Foundation"), which are comprised of the balance sheet as of March 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the National Kidney Foundation, Inc. as of March 31, 2016, 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*

July 20, 2016

# National Kidney Foundation, Inc.

## Balance Sheet

March 31, 2016

### Assets

Cash and cash equivalents	\$ 2,044,653
Investments, at fair value (Note 3)	6,165,035
Investments held under split-interest agreements (Notes 3 and 7)	452,149
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$241,069	709,366
Other receivables, less allowance for uncollectible amounts of \$313,783 (Note 4)	2,792,670
Prepaid expenses	821,329
Other assets	227,862
Fixed assets, net	281,075
	<hr/>
	\$13,494,139

### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$ 3,780,272
Deferred income (Note 6)	5,569,077
Deferred rent (Note 10)	501,530
Payable to beneficiaries (Note 7)	347,436
	<hr/>
<b>Total Liabilities</b>	<b>10,198,315</b>

#### Commitments (Notes 7 and 10)

#### Net Assets (Deficit) (Notes 11 and 12):

Unrestricted	(1,686,627)
Temporarily restricted	3,787,355
Permanently restricted	1,195,096
	<hr/>
<b>Total Net Assets</b>	<b>3,295,824</b>

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**\$13,494,139**

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Activities

*Year ended March 31, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue:</b>				
Contributions:				
Received directly - contributions	\$ 6,826,907	\$ 400,363	\$ -	\$ 7,227,270
Received indirectly - share of affiliate contributions	1,734,760		-	1,734,760
Received indirectly - contributions	644,050	50,936	-	694,986
	9,205,717	451,299	-	9,657,016
Revenue from sales of donated vehicles	2,835,305	-	-	2,835,305
Less: Cost of sales	887,143	-	-	887,143
<b>Net Revenue From Sales of Donated Vehicles</b>	1,948,162	-	-	1,948,162
Revenue from special events	12,940,263	-	-	12,940,263
Less: Direct benefit to donor costs	1,372,162	-	-	1,372,162
<b>Net Revenue From Special Events</b>	11,568,101	-	-	11,568,101
<b>Total Contributions</b>	22,721,980	451,299	-	23,173,279
Program service fees	7,309,266	-	-	7,309,266
Royalties	2,048,739	-	-	2,048,739
Dues - professional members	613,170	-	-	613,170
Investment income, including realized and unrealized net losses of \$(341,870)	1,527	(191,903)	-	(190,376)
Other, net	583,172	-	-	583,172
Net assets released from restrictions (Note 11)	1,797,074	(1,797,074)	-	-
	12,352,948	(1,988,977)	-	10,363,971
<b>Total Revenue</b>	35,074,928	(1,537,678)	-	33,537,250

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Activities

*Year ended March 31, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Expenses:</b>				
Program services:				
Research	\$ 1,292,033	\$ -	\$ -	\$ 1,292,033
Public health education	3,331,928	-	-	3,331,928
Professional education	9,536,562	-	-	9,536,562
Patient services	3,815,104	-	-	3,815,104
Community services and assistance to affiliates	9,065,252	-	-	9,065,252
<b>Total Program Services</b>	<b>27,040,879</b>			<b>27,040,879</b>
Supporting services:				
Fundraising	3,440,819	-	-	3,440,819
Management and general: Administrative	4,014,475	-	-	4,014,475
<b>Total Supporting Services</b>	<b>7,455,294</b>	<b>-</b>	<b>-</b>	<b>7,455,294</b>
<b>Total Expenses</b>	<b>34,496,173</b>	<b>-</b>	<b>-</b>	<b>34,496,173</b>
Change in Net Assets	578,755	(1,537,678)	-	(958,923)
<b>Net (Deficit) Assets at Beginning of Year</b>	<b>(2,265,383)</b>	<b>5,325,033</b>	<b>1,195,096</b>	<b>4,254,746</b>
<b>Net (Deficit) Assets at End of Year</b>	<b>\$ (1,686,628)</b>	<b>\$ 3,787,355</b>	<b>\$1,195,096</b>	<b>\$ 3,295,823</b>

*See accompanying notes to financial statements.*



# National Kidney Foundation, Inc.

## Statement of Cash Flows

*Year ended March 31, 2016*

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ (958,923)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	121,526
Allowance for uncollectible accounts	179,897
Net realized and unrealized losses on investments	341,870
Donated stocks	(161,164)
Decrease (increase) in assets:	
Due from affiliates	(167,015)
Other receivables	(1,085,332)
Prepaid expenses	24,532
Other assets	12,672
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,839,532)
Deferred income	1,803,151
Payable to beneficiaries	(18,242)
<b>Net Cash Used In Operating Activities</b>	<b>(1,746,560)</b>
<b>Cash Flows From Investing Activities:</b>	
Purchases of fixed assets	(104,719)
Proceeds from sale of investments	1,688,201
Purchases of investments	(1,211,538)
<b>Net Cash Provided By Investing Activities</b>	<b>371,944</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,374,616)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,419,269</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,044,653</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Cash paid for interest	\$ 8,747

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Functional Expenses

Year ended March 31, 2016

	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 Supporting Services	
Salaries	\$ 380,835	\$1,901,129	\$4,314,263	\$1,682,344	\$4,410,057	\$12,688,628	\$ 546,354	\$2,311,617	\$ -	\$2,857,971	\$15,546,599
Retirement benefits	9,740	48,623	110,340	43,027	112,790	324,520	13,973	59,121	-	73,094	397,614
Payroll taxes	31,190	155,700	353,333	137,782	361,179	1,039,184	44,746	189,319	-	234,065	1,273,249
Other employee benefits	32,921	152,173	698,728	227,206	642,841	1,753,869	43,732	185,030	-	228,762	1,982,631
Awards and grants	584,313	-	-	-	-	584,313	-	-	-	-	584,313
Patient financial assistance	-	-	-	497,928	-	497,928	-	-	-	-	497,928
Professional fees and contract services	77,598	198,019	1,354,495	217,637	506,728	2,354,477	117,681	236,494	243,463	597,638	2,952,115
Office supplies and expenses	9,882	53,559	226,217	54,390	513,443	857,491	22,603	60,392	140,190	223,185	1,080,676
Telephone	9,658	49,754	73,893	33,098	96,522	262,925	16,090	60,487	-	76,577	339,502
Postage and shipping	4,036	23,226	72,300	121,803	59,536	280,901	305,925	25,280	-	331,205	612,106
Building occupancy	66,594	343,061	495,928	223,266	544,965	1,673,814	98,578	417,083	-	515,661	2,189,475
Equipment repairs and maintenance	22,898	117,946	176,916	77,455	187,982	583,197	194,074	143,413	-	337,487	920,684
Insurance	5,769	29,716	40,794	20,398	65,156	161,833	8,540	36,133	-	44,673	206,506
Printing and publications	2,414	21,198	803,906	118,408	44,869	990,795	230,822	15,117	-	245,939	1,236,734
Marketing and promotion	3,406	27,295	40,386	16,706	233,022	320,815	579,167	21,333	-	600,500	921,315
Conferences and meetings	17,899	44,687	410,856	181,067	775,948	1,430,457	933,370	53,273	988,509	1,975,152	3,405,609
Meetings and travel	6,309	27,592	113,880	59,584	191,788	399,153	93,796	33,969	-	127,765	526,918
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	887,143	887,143	887,143
Dues and subscriptions	3,963	23,285	32,790	15,791	34,007	109,836	7,521	24,823	-	32,344	142,180
Cost of goods sold	-	-	42,059	-	-	42,059	-	-	-	-	42,059
Miscellaneous expenses	18,864	95,682	149,007	74,674	253,920	592,147	178,305	118,144	-	296,449	888,596
	1,288,289	3,312,645	9,510,091	3,802,564	9,034,753	26,948,342	3,435,277	3,991,028	2,259,305	9,685,610	36,633,952
Depreciation and amortization	3,744	19,283	26,471	12,540	30,499	92,537	5,542	23,447	-	28,989	121,526
	1,292,033	3,331,928	9,536,562	3,815,104	9,065,252	27,040,879	3,440,819	4,014,475	2,259,305	9,714,599	36,755,478
Less: Direct benefit costs	-	-	-	-	-	-	-	-	(1,372,162)	(1,372,162)	(1,372,162)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(887,143)	(887,143)	(887,143)
<b>Total Expenses Reported by Function in the Statement of Activities</b>	<b>\$1,292,033</b>	<b>\$3,331,928</b>	<b>\$9,536,562</b>	<b>\$3,815,104</b>	<b>\$9,065,252</b>	<b>\$27,040,879</b>	<b>\$3,440,819</b>	<b>\$4,014,475</b>	<b>\$ -</b>	<b>\$7,455,294</b>	<b>\$34,496,173</b>
<b>Current Period Percentages</b>	<b>3.75%</b>	<b>9.66%</b>	<b>27.64%</b>	<b>11.06%</b>	<b>26.28%</b>	<b>78.39%</b>	<b>9.97%</b>	<b>11.64%</b>	<b>-%</b>	<b>21.61%</b>	<b>100.00%</b>

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### 1. Nature of Organization

The National Kidney Foundation, Inc. (the "Foundation"), headquartered in New York City, is dedicated to the awareness, prevention and treatment of kidney disease for hundreds of thousands of healthcare professionals, millions of patients and their families and tens of millions of Americans at risk. The Foundation has a chartered network of 12 affiliated organizations ("Affiliates") and 27 regional offices as of March 31, 2016 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*

The financial statements have been prepared on the accrual basis of accounting.

#### *(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.
- (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.

From time to time, the Foundation's cash balances exceed the Federal Depository Insurance Coverage ("FDIC") limit. The Foundation does not believe it is exposed to any significant risk from cash and cash equivalents.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### *(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 through appropriations made in accordance with the Foundation’s spending policy.

### *(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.

### *(g) Other Assets*

Other assets consist of inventory and security deposits. Inventories, which consist of educational publications in print, are stated at the lower of cost or market determined by the first-in, first-out method. For the year ended March 31, 2016, inventories amounted to \$135,624 and security deposits amounted to \$92,238.

# National Kidney Foundation, Inc.

## Notes to 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 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

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### *(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 year ended March 31, 2016, there has been no such loss.

### *(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) Revenue*

#### *(i) Contributions*

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 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 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 Financial Statements

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### *(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 of educational materials 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 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 Foundation's legislative efforts, disbursement of educational brochures to the public, Your Kidneys and You educational program, online health guides on the Foundation's website and awareness 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, evidence-based practice guidelines, 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 free screening for individuals at risk through the Kidney Early Evaluation Program ("KEEP") Healthy, newsletters and a magazine, patient empowerment programs, the NKF Cares Help Line and NKF Peers program.

#### *(v) Community Services/Program Assistance to Affiliates*

The Foundation conducts programs to detect disease, develops plans to improve community health practices and conducts rehabilitation programs. In addition, the Foundation provides consultation, guidance, training and leadership to its Affiliates.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### *(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. Due to the timing of the annual Spring Clinical Meeting, the program services expenses are approximately \$2,300,000 lower. Including those expenses, the current year percentages would be 80% for program services and 20% for supporting services.

### *(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 March 31, 2016.

The Foundation has not taken an uncertain 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 March 31, 2016, there were no interest or penalties recorded or included in the financial statements. The Foundation is no longer subject to income tax examination by U.S. Federal, state and local tax authorities for years before 2013, 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 Financial Statements

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### *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) Use of Estimates*

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

### *(r) New Accounting Pronouncements*

#### *Accounting for Leases*

On February 25, 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02.



# National Kidney Foundation, Inc.

## Notes to Financial Statements

### 3. Investments at Fair Value

The fair value and cost of investments and investments held under split-interest agreements at March 31, 2016 consisted of the following:

*March 31, 2016*

	Cost	Fair Value
<b>Assets</b>		
Money market funds	\$ 317,521	\$ 317,521
Equity securities	326,762	523,201
Mutual funds	4,079,200	3,803,655
Fixed income	1,346,964	1,972,807
<b>Total investments</b>	<b>\$6,070,447</b>	<b>\$6,617,184</b>

Included in the above are assets held under split-interest agreements in the amount of \$452,149 at March 31, 2016.

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 balance sheet.

The following table presents the financial instruments as of March 31, 2016, by caption on the balance sheet, within the ASC 820 valuation hierarchy defined above:

*March 31, 2016*

	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>				
Money market funds	\$ 317,521	\$ -	\$-	\$ 317,521
Equity securities	523,201	-	-	523,201
Mutual funds:				
Commodities	174,893	-	-	174,893
Foreign large-cap blend	1,234,513	-	-	1,234,513
Large-cap blend	879,124	-	-	879,124
Large-cap growth	311,330	-	-	311,330
Large-cap value	325,675	-	-	325,675
Small-cap blend	290,450	-	-	290,450
Small-cap growth	276,763	-	-	276,763
Bond funds	310,907	-	-	310,907
Government bonds	-	80,457	-	80,457
Corporate bonds	-	1,892,350	-	1,892,350
<b>Total investments</b>	<b>\$4,644,377</b>	<b>\$1,972,807</b>	<b>\$-</b>	<b>\$6,617,184</b>

# National Kidney Foundation, Inc.

## Notes to 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 March 31, 2016, there were no unfunded commitments. There were no transfers between levels during the year ended March 31, 2016.

### 4. Other Receivables

Other receivables as of March 31, 2016 are as follows:

*March 31, 2016*

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Pledges receivable, net	\$ 52,793
Beneficial interest in charitable remainder trusts and estates	2,089,123
Contractual grants and miscellaneous receivables	650,754
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	\$2,792,670

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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.

As of March 31, 2016, the following represents future payments due:

*March 31, 2016*

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Within one year	\$37,127
Two to five years	16,017
Discount to present value	(351)
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	\$52,793

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The discount rates to present value varied from 0.26% to 1.37%.

### 5. Fixed Assets

At March 31, 2016, fixed assets, net, consisted of the following:

*March 31, 2016*

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Furniture and equipment	\$ 2,173,031
Leasehold improvements	275,435
Capitalized software	297,182
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	2,745,648
Less: Accumulated depreciation and amortization	(2,464,573)
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	\$ 281,075

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# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### 6. Deferred Income

Deferred income as of March 31, 2016 is as follows:

*March 31, 2016*

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Foundation headquarter's programs and projects	\$2,789,819
Membership and subscriptions	408,082
Special events	2,371,176
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	\$5,569,077

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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 March 31, 2016, the total assets held under split-interest agreements were \$452,149 at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was \$347,436 at March 31, 2016 and was calculated using interest rates ranging from 4.0% to 7.0%.

### 8. Line of Credit

During the year ended March 31, 2016, the Foundation extended its \$4,000,000 line of credit with a financial institution maturing on October 31, 2016, at which time all outstanding interest payments will be due and payable. Interest was charged monthly at the one-month London Interbank Offered Rate ("LIBOR"), plus an interest spread of 1.25% per annum (1.42% at March 31, 2016). The line of credit is secured by the Foundation's investments. There is no outstanding balance on the line of credit as of March 31, 2016.

### 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 year ended March 31, 2016 amounted to approximately \$397,614.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### *(b) 457(f) Plan*

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 March 31, 2016, the Plan was fully funded and the Foundation did not incur any benefit expense for the current fiscal year. The fully funded liability related to the Plan amounted to approximately \$182,000 at March 31, 2016 and is included in accounts payable and accrued expenses in the accompanying balance sheet. This liability is fully funded by investments held in the Foundation's portfolio.

## 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 March 31, 2016, deferred rent of approximately \$502,000 is reflected in accounts payable and accrued expenses in the accompanying balance sheet.

Rent expense approximated \$1,864,000 for the year ended March 31, 2016.

Future minimum lease payments are as follows:

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2017	\$1,609,005
2018	1,527,507
2019	1,245,667
2020	1,182,076
Thereafter	935,178
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	\$6,499,433

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### *(b) Awards and Grants*

As of March 31, 2016, the Foundation has entered into conditional multi-year research grant commitments. The Foundation recognizes as expense the portion of the research grant award that becomes unconditional during the fiscal period. The Foundation has expensed research grants of \$120,000 during the year ended March 31, 2016.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

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### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at March 31, 2016:

*March 31, 2016*

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Young investigators and clinical scientists research	\$2,074,797
Other research	1,372,840
Other programs	339,718
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	\$3,787,355

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Temporarily restricted net assets were released from restrictions in fiscal 2016 as follows:

*Year ended March 31, 2016*

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Young investigators and clinical scientists research	\$ 120,000
Other research	839,988
Other programs	837,086
	<hr/>
	\$1,797,074

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### 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 March 31, 2016 are to be used as follows:

*March 31, 2016*

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Enuresis research	\$ 174,237
Other research	292,208
Patient services	95,000
Community services	90,680
Professional education	11,929
Public education	97,872
Undesignated programs	433,170
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	\$1,195,096

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# National Kidney Foundation, Inc.

## Notes to Financial Statements

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The following table represents the endowment investment composition by type of fund as of March 31, 2016:

*March 31, 2016*

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Cash and cash equivalents	\$ 68,769
Equity securities	179,083
Mutual funds	713,809
Government bonds	233,435
	<hr/>
	\$1,195,096

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Changes in endowment net assets for the year ended March 31, 2016 consisted of the following:

*Year ended March 31, 2016*

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	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$229,095	\$1,195,096	\$1,424,191
Investment losses	(18,257)	-	(18,257)
Appropriation of endowment assets for expenditure	(56,932)	-	(56,932)
Endowment net assets, end of year	\$153,906*	\$1,195,096	\$1,349,002

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

### 13. Subsequent Events

The Foundation's management has performed subsequent event procedures through July 20, 2016, which is the date the financial statements were available to be issued. Other than the event listed below, there were no additional subsequent events or disclosures that required adjustment to the financial statements