



**Financial Statements**  
Year Ended March 31, 2017



National **Kidney** Foundation®

---

Financial Statements  
Year Ended March 31, 2017

# National Kidney Foundation, Inc.

## Contents

---

<b>Independent Auditor's Report</b>	3-4
<b>Financial Statements:</b>	
Balance Sheet as of March 31, 2017	5
Statement of Activities for the Year Ended March 31, 2017	6-7
Statement of Cash Flows for the Year Ended March 31, 2017	8
Statement of Functional Expenses for the Year Ended March 31, 2017	9
Notes to Financial Statements	10-23



## **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, 2017, 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, 2017, 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 2016 financial statements and our report, dated July 20, 2016, 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 March 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BDO USA, LLP*

July 25, 2017

# National Kidney Foundation, Inc.

## Balance Sheet (with comparative totals for 2016)

March 31,	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 1,833,170	\$ 2,044,653
Investments, at fair value (Note 3)	6,641,453	6,165,035
Investments held under split-interest agreements (Notes 3 and 7)	428,498	452,149
Due from affiliates, principally share of affiliate contributions, less allowance for uncollectible amounts of \$212,090 and \$241,069 for 2017 and 2016, respectively	637,391	709,366
Other receivables, less allowance for uncollectible amounts of \$316,568 and \$313,783 for 2017 and 2016, respectively (Note 4)	5,415,489	2,792,670
Prepaid expenses	1,079,399	821,329
Other assets	251,339	227,862
Fixed assets, net	204,856	281,075
	<b>\$16,491,595</b>	<b>\$13,494,139</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,350,863	\$ 3,780,273
Deferred income (Note 6)	4,602,872	5,569,077
Deferred rent (Note 10)	1,250,692	501,530
Payable to beneficiaries (Note 7)	334,361	347,436
Line of credit payable (Note 8)	3,700,000	-
<b>Total Liabilities</b>	<b>14,238,788</b>	<b>10,198,316</b>
<b>Commitments (Notes 7, 8 and 10)</b>		
<b>Net Assets (Deficit) (Notes 11 and 12):</b>		
Unrestricted	(1,686,099)	(1,686,628)
Temporarily restricted	2,743,810	3,787,355
Permanently restricted	1,195,096	1,195,096
<b>Total Net Assets</b>	<b>2,252,807</b>	<b>3,295,823</b>
	<b>\$16,491,595</b>	<b>\$13,494,139</b>

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Activities (with comparative totals for 2016)

Year ended March 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
<b>Revenue:</b>					
Contributions:					
Received directly - contributions	\$ 7,050,026	\$ 447,606	\$ -	\$ 7,497,632	\$ 7,227,270
Received indirectly - share of affiliate contributions	1,751,424	-	-	1,751,424	1,734,760
Received indirectly - contributions	581,674	45,926	-	627,600	694,986
	9,383,124	493,532	-	9,876,656	9,657,016
Revenue from sales of donated vehicles	3,220,620	-	-	3,220,620	2,835,305
Less: Cost of sales	1,055,217	-	-	1,055,217	887,143
<b>Net Revenue From Sales of Donated Vehicles</b>	<b>2,165,403</b>	<b>-</b>	<b>-</b>	<b>2,165,403</b>	<b>1,948,162</b>
Revenue from special events	13,349,783	-	-	13,349,783	12,940,263
Less: Direct benefit to donor costs	1,443,188	-	-	1,443,188	1,372,162
<b>Net Revenue From Special Events</b>	<b>11,906,595</b>	<b>-</b>	<b>-</b>	<b>11,906,595</b>	<b>11,568,101</b>
<b>Total Contributions</b>	<b>23,455,122</b>	<b>493,532</b>	<b>-</b>	<b>23,948,654</b>	<b>23,173,279</b>
Program service fees	11,009,109	-	-	11,009,109	7,309,266
Royalties	2,379,634	-	-	2,379,634	2,048,739
Dues - professional members	653,754	-	-	653,754	613,170
Investment income (loss), including realized and unrealized net gains (losses) of \$601,113 and (\$341,870) in 2017 and 2016, respectively	1,278	692,760	-	694,038	(190,376)
Other, net	798,745	-	-	798,745	583,172
Net assets released from restrictions (Note 11)	2,229,837	(2,229,837)	-	-	-
	17,072,357	(1,537,077)	-	15,535,280	10,363,971
<b>Total Revenue</b>	<b>40,527,479</b>	<b>(1,043,545)</b>	<b>-</b>	<b>39,483,934</b>	<b>33,537,250</b>

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Activities (with comparative totals for 2016)

Year ended March 31,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
<b>Expenses:</b>					
Program services:					
Research	\$ 2,336,113	\$ -	\$ -	\$ 2,336,113	\$ 1,292,033
Public health education	3,427,041	-	-	3,427,041	3,331,928
Professional education	12,701,016	-	-	12,701,016	9,536,562
Patient services	4,147,462	-	-	4,147,462	3,815,104
Community services and assistance to affiliates	10,413,052	-	-	10,413,052	9,065,252
<b>Total Program Services</b>	<b>33,024,684</b>	<b>-</b>	<b>-</b>	<b>33,024,684</b>	<b>27,040,879</b>
Supporting services:					
Fundraising	3,272,587	-	-	3,272,587	3,440,819
Management and general: Administrative	4,229,679	-	-	4,229,679	4,014,475
<b>Total Supporting Services</b>	<b>7,502,266</b>	<b>-</b>	<b>-</b>	<b>7,502,266</b>	<b>7,455,294</b>
<b>Total Expenses</b>	<b>40,526,950</b>	<b>-</b>	<b>-</b>	<b>40,526,950</b>	<b>34,496,173</b>
<b>Change in Net Assets</b>	<b>529</b>	<b>(1,043,545)</b>	<b>-</b>	<b>(1,043,016)</b>	<b>(958,923)</b>
<b>Net (Deficit) Assets at Beginning of Year</b>	<b>(1,686,628)</b>	<b>3,787,355</b>	<b>1,195,096</b>	<b>3,295,823</b>	<b>4,254,746</b>
<b>Net (Deficit) Assets at End of Year</b>	<b>\$ (1,686,099)</b>	<b>\$ 2,743,810</b>	<b>\$1,195,096</b>	<b>\$ 2,252,807</b>	<b>\$ 3,295,823</b>

*See accompanying notes to financial statements.*



# National Kidney Foundation, Inc.

## Statement of Cash Flows (with comparative totals for 2016)

Year ended March 31,	2017	2016
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$(1,043,016)	\$ (958,923)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	141,849	121,526
Allowance for uncollectible accounts	(26,194)	179,897
Net realized and unrealized (gains) losses on investments	(538,429)	341,870
Donated stocks	(165,402)	(161,164)
Decrease (increase) in assets:		
Due from affiliates	100,954	(167,015)
Other receivables	(2,625,604)	(1,085,332)
Prepaid expenses	(258,070)	24,532
Other assets	(23,477)	12,672
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	570,590	(1,839,532)
Deferred income	(966,205)	1,803,151
Deferred rent	749,162	-
Payable to beneficiaries	(13,075)	(18,242)
<b>Net Cash Used In Operating Activities</b>	<b>(4,096,917)</b>	<b>(1,746,560)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of fixed assets	(65,630)	(104,719)
Proceeds from sale of investments	2,886,469	1,688,201
Purchases of investments	(2,635,405)	(1,211,538)
<b>Net Cash Provided By Investing Activities</b>	<b>185,434</b>	<b>371,944</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from line of credit	3,700,000	1,150,000
Repayments on line of credit	-	(1,150,000)
<b>Net Cash Provided By Financing Activities</b>	<b>3,700,000</b>	<b>-</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(211,483)</b>	<b>(1,374,616)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>2,044,653</b>	<b>3,419,269</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,833,170</b>	<b>\$ 2,044,653</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 48,412	\$ 8,747

*See accompanying notes to financial statements.*

# National Kidney Foundation, Inc.

## Statement of Functional Expenses (with comparative totals for 2016)

Year ended March 31,

	Program Services						Supporting Services				Total	
	Research	Public Health Education	Professional Education	Patient Services	Community Services/ Assistance to Affiliates	Total	Fundraising	Management and General	Special Events, Direct Benefit Costs and Donated Vehicles Costs and Expenses	Total Supporting Services	2017	2016
Salaries	\$ 668,110	\$2,105,775	\$ 4,846,696	\$1,790,089	\$ 5,188,626	\$14,599,296	\$ 595,664	\$2,625,788	\$ -	\$ 3,221,452	\$17,820,748	\$15,546,599
Retirement benefits	17,216	54,263	124,894	46,129	133,705	376,207	15,350	67,664	-	83,014	459,221	397,614
Payroll taxes	51,268	161,588	371,915	137,364	398,153	1,120,288	45,709	201,492	-	247,201	1,367,489	1,273,249
Other employee benefits	42,729	101,667	696,211	202,453	661,923	1,704,983	28,759	126,773	-	155,532	1,860,515	1,982,631
Awards and grants	721,498	-	-	-	-	721,498	-	-	-	-	721,498	584,313
Patient financial assistance	-	-	-	699,754	-	699,754	-	-	-	-	699,754	497,928
Professional fees and contract services	570,751	119,710	2,449,396	234,023	563,511	3,937,391	109,733	148,860	184,136	442,729	4,380,120	2,952,115
Office supplies and expenses	16,791	57,616	132,727	75,247	554,521	836,902	26,866	70,361	109,127	206,354	1,043,256	1,080,676
Telephone	15,862	53,420	83,386	34,174	103,757	290,599	15,322	66,612	-	81,934	372,533	339,502
Postage and shipping	5,593	19,540	90,825	124,445	91,085	331,488	275,488	23,486	-	298,974	630,462	612,106
Building occupancy	97,749	329,198	502,105	207,230	555,949	1,692,231	93,121	410,492	-	503,613	2,195,844	2,189,475
Equipment repairs and maintenance	32,710	110,161	190,861	71,018	186,544	591,294	233,481	137,365	-	370,846	962,140	920,684
Insurance	9,696	32,654	46,623	21,888	61,584	172,445	9,237	40,717	-	49,954	222,399	206,506
Printing and publications	2,044	13,978	1,215,171	92,792	56,303	1,380,288	243,150	8,584	-	251,734	1,632,022	1,236,734
Marketing and promotion	13,846	61,630	80,744	47,438	504,533	708,191	429,724	58,146	-	487,870	1,196,061	921,315
Conferences and meetings	26,232	56,218	1,355,989	217,589	757,524	2,413,552	895,812	58,490	1,149,925	2,104,227	4,517,779	3,405,609
Meetings and travel	9,606	33,731	273,127	64,544	184,746	565,754	93,917	40,341	-	134,258	700,012	526,918
Cost of donated vehicles, provider fees	-	-	-	-	-	-	-	-	1,055,217	1,055,217	1,055,217	887,143
Dues and subscriptions	5,263	17,724	35,810	12,439	85,078	156,314	10,150	22,101	-	32,251	188,565	142,180
Cost of goods sold	-	-	41,069	-	-	41,069	-	-	-	-	41,069	42,059
Miscellaneous expenses	22,737	76,575	132,637	55,263	289,113	576,325	144,996	95,481	-	240,477	816,802	888,596
	2,329,701	3,405,448	12,670,186	4,133,879	10,376,655	32,915,869	3,266,479	4,202,753	2,498,405	9,967,637	42,883,506	36,633,952
Depreciation and amortization	6,412	21,593	30,830	13,583	36,397	108,815	6,108	26,926	-	33,034	141,849	121,526
	2,336,113	3,427,041	12,701,016	4,147,462	10,413,052	33,024,684	3,272,587	4,229,679	2,498,405	10,000,671	43,025,355	36,755,478
Less: Direct benefit costs	-	-	-	-	-	-	-	-	(1,443,188)	(1,443,188)	(1,443,188)	(1,372,162)
Donated vehicles cost of sales and selling expenses	-	-	-	-	-	-	-	-	(1,055,217)	(1,055,217)	(1,055,217)	(887,143)
<b>Total Expenses Reported by Function in the Statement of Activities</b>	<b>\$2,336,113</b>	<b>\$3,427,041</b>	<b>\$12,701,016</b>	<b>\$4,147,462</b>	<b>\$10,413,052</b>	<b>\$33,024,684</b>	<b>\$3,272,587</b>	<b>\$4,229,679</b>	<b>\$ -</b>	<b>\$ 7,502,266</b>	<b>\$40,526,950</b>	<b>\$34,496,173</b>
<b>Current Year Percentages</b>	<b>5.76%</b>	<b>8.46%</b>	<b>31.34%</b>	<b>10.23%</b>	<b>25.69%</b>	<b>81.48%</b>	<b>8.08%</b>	<b>10.44%</b>	<b>-%</b>	<b>18.52%</b>	<b>100.00%</b>	<b>-%</b>
<b>Last Year's 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>-%</b>	<b>100.00%</b>

See accompanying notes to financial statements.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

### 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, 2017 and 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

---

### **(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 cannot 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) Investment Income**

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 years ended March 31, 2017 and 2016, inventories amounted to \$134,112 and \$135,624, respectively, and security deposits amounted to \$117,227 and \$92,238, respectively.

# National Kidney Foundation, Inc.

## Notes to 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 March 31, 2017 and 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) Deferred Rent**

Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet.

### **(l) 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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

**(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 of educational materials and rebates and commissions. Revenue is recognized when earned by the Foundation.

**(m) 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".

**(n) 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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

*(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.

*(o) 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 \$1,800,000 higher.

*(p) Income Taxes*

The Foundation is a not-for-profit voluntary health agency as described in Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Foundation is exempt from Federal income taxes under Section 501(a) of the Code and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code. The Foundation also is exempt from New York State and City income taxes. Contributions to the Foundation are deductible for income tax purposes to the maximum extent allowed under the Code. There was no unrelated business income tax payable for the years ended March 31, 2017 and 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 financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize the financial statement effects for unrecognized tax positions for the years ended March 31, 2017 and 2016. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed IRS Form 990, as required, and all other applicable returns in jurisdictions when it is required. For the years ended March 31, 2017 and 2016, there were no interest or penalties recorded or included in the financial statements. The Foundation believes it is no longer subject to income tax examinations for the years prior to 2014, which is the statute of limitation look back period.

*(q) 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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

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.

### *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.

### *(r) 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.



# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

**(s) Recent Accounting Pronouncements**

**(i) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profits**

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation’s financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

**(ii) Revenue from Contracts with Customers (Topic 606)**

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

**(iii) Accounting for Leases (Topic 842)**

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation’s fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

(iv) *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*

In May 2015, the FASB issued ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),” which seeks to eliminate diversity in practice surrounding how investments measured at net asset value (“NAV”) under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods commencing after December 15, 2016 with retrospective application to all periods presented. The Foundation has adopted the standard for the years ended March 31, 2017 and 2016.

(t) *Reclassifications*

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. The reclassifications have no effect on the net assets or operating results of the prior year.

### 3. Investments at Fair Value

The fair value and cost of investments and investments held under split-interest agreements at March 31, 2017 and 2016 consisted of the following:

<i>March 31,</i>	2017		2016	
	Cost	Fair Value	Cost	Fair Value
<b>Assets</b>				
Money market funds	\$ 188,220	\$ 188,220	\$ 317,521	\$ 317,521
Equity securities	309,691	556,653	326,762	523,201
Mutual funds	4,659,568	4,694,210	4,079,200	3,803,655
Fixed income	930,468	1,630,868	1,346,964	1,972,807
Total investments	\$6,087,947	\$7,069,951	\$6,070,447	\$6,617,184

Included in the above are assets held under split-interest agreements in the amount of \$428,498 and \$452,149 as of March 31, 2017 and 2016, respectively.

The Foundation’s holdings in equity securities consist principally of equity securities carried at the aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily and valuation is based on Level 1 inputs within the hierarchy used in measuring fair value. Publicly-traded mutual funds, government bonds and corporate bonds are valued at the NAV of shares held by the Foundation. The mutual funds and bonds are traded at quoted prices through the National Securities Clearing Corporation and can be redeemed on a daily basis.

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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

The following tables present the financial instruments as of March 31, 2017 and 2016, by caption on the balance sheet, within the ASC 820 valuation hierarchy defined above:

### March 31, 2017

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$188,220	\$-	\$-	\$ 188,220
Equity securities	556,653	-	-	556,653
Mutual funds*	-	-	-	4,694,210
Government bonds*	-	-	-	1,578,101
Corporate bonds*	-	-	-	52,767
<b>Total investments</b>	<b>\$744,873</b>	<b>\$-</b>	<b>\$-</b>	<b>\$7,069,951</b>

### March 31, 2016

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$317,521	\$-	\$-	\$ 317,521
Equity securities	523,201	-	-	523,201
Mutual funds*	-	-	-	3,803,655
Government bonds*	-	-	-	80,457
Corporate bonds*	-	-	-	1,892,350
<b>Total investments</b>	<b>\$840,722</b>	<b>\$-</b>	<b>\$-</b>	<b>\$6,617,184</b>

\* Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts are presented in the balance sheet.

As of March 31, 2017 and 2016, there were no unfunded commitments nor transfers between levels.

## 4. Other Receivables

Other receivables as of March 31, 2017 and 2016 are as follows:

March 31,	2017	2016
Pledges receivable, net	\$2,259,493	\$ 52,793
Beneficial interest in charitable remainder trusts and estates	1,729,848	2,089,123
Contractual grants and miscellaneous receivables	1,426,148	650,754
	<b>\$5,415,489</b>	<b>\$2,792,670</b>

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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

As of March 31, 2017 and 2016, the following represents future payments due:

<i>March 31,</i>	<b>2017</b>	<b>2016</b>
Within one year	\$1,557,119	\$37,127
Two to five years	717,750	16,017
Discount to present value	(15,376)	(351)
	<b>\$2,259,493</b>	<b>\$52,793</b>

The discount rates to present value varied from 1.03% to 2.22%.

### 5. Fixed Assets

At March 31, 2017 and 2016, fixed assets, net, consisted of the following:

<i>March 31,</i>	<b>2017</b>	<b>2016</b>
Furniture and equipment	\$ 2,238,661	\$ 2,173,031
Leasehold improvements	275,435	275,435
Capitalized software	297,182	297,182
	<b>2,811,278</b>	<b>2,745,648</b>
Less: Accumulated depreciation and amortization	(2,606,422)	(2,464,573)
	<b>\$ 204,856</b>	<b>\$ 281,075</b>

Depreciation and amortization expense for the years ended March 31, 2017 and 2016 was \$141,849 and \$121,526, respectively.

### 6. Deferred Income

Deferred income as of March 31, 2017 and 2016 is as follows:

<i>March 31,</i>	<b>2017</b>	<b>2016</b>
Foundation programs and projects	\$2,959,953	\$2,789,819
Membership and subscriptions	535,048	408,082
Special events	1,107,871	2,371,176
	<b>\$4,602,872</b>	<b>\$5,569,077</b>

### 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

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

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.

As of March 31, 2017 and 2016, the total assets held under split-interest agreements were \$428,498 and \$452,149, respectively, at fair value. The actuarial present value, which approximates fair value, of the Foundation's payable to beneficiaries was \$334,361 and \$347,436 as of March 31, 2017 and 2016, respectively, and was calculated using interest rates ranging from 4.0% to 7.0%.

### 8. Line of Credit

The Foundation has a line of credit with a financial institution of up to \$4,000,000. For the fiscal years ended March 31, 2017 and 2016, interest was charged monthly on the outstanding balance at either the three-month or six-month London Interbank Offered Rate ("LIBOR") plus an interest spread of 1.25% per annum, and one-month LIBOR plus an interest spread of 1.25% annum, respectively. The line of credit is secured by the Foundation's investments. As of March 31, 2017, the outstanding line of credit balance was \$3,700,000. There was no outstanding balance on the line of credit as of March 31, 2016. During the year ended March 31, 2017, the Foundation extended its line of credit to October 31, 2017, at which time all outstanding principal and interest amounts will be due and payable.

### 9. Retirement/Savings Plans

#### *(a) 403(b) Plan*

The Foundation has a contributory retirement/savings plan that 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 March 31, 2017 and 2016 amounted to approximately \$443,000 and \$398,000, respectively.

#### *(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, 2017, 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 \$15,860 and \$182,000 at March 31, 2017 and 2016, respectively, 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.

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

Rent expense approximated \$1,801,000 and \$1,864,000 for the years ended March 31, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

---

2018	\$ 1,855,262
2019	1,707,384
2020	1,699,213
2021	1,752,496
2022	1,577,908
Thereafter	12,676,206
	<hr/>
	\$21,268,469

---

### *(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 \$186,000 and \$120,000 during the years ended March 31, 2017 and 2016, respectively.

## 11. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at March 31, 2017 and 2016:

<i>March 31,</i>	2017	2016
Young investigators and clinical scientists research	\$1,700,039	\$1,747,448
Other research	647,063	1,424,787
Other programs	396,708	615,120
	<hr/>	<hr/>
	\$2,743,810	\$3,787,355

---

Temporarily restricted net assets were released from restrictions in fiscal 2017 and 2016 as follows:

<i>Year ended March 31,</i>	2017	2016
Young investigators and clinical scientists research	\$ 263,862	\$ 120,000
Other research	1,020,802	839,988
Other programs	945,173	837,086
	<hr/>	<hr/>
	\$2,229,837	\$1,797,074

---

# National Kidney Foundation, Inc.

## Notes to Financial Statements

### 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, 2017 and 2016 are to be used as follows:

<i>March 31,</i>	2017	2016
Enuresis research	\$ 174,237	\$ 174,237
Other research	292,208	292,208
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	433,170	433,170
	<b>\$1,195,096</b>	<b>\$1,195,096</b>

The following table represents the endowment investment composition by type of fund as of March 31, 2017 and 2016:

<i>March 31,</i>	2017	2016
Cash and cash equivalents	\$ 73,640	\$ 68,769
Equity securities	179,083	179,083
Mutual funds	731,951	713,809
Government bonds	210,422	233,435
	<b>\$1,195,096</b>	<b>\$1,195,096</b>

Changes in endowment net assets for the years ended March 31, 2017 and 2016 consisted of the following:

#### *Year ended March 31, 2017*

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$153,906	\$1,195,096	\$1,349,002
Investment income	138,523	-	138,523
Appropriation of endowment assets for expenditure	(58,328)	-	(58,328)
Endowment net assets, end of year	\$234,101*	\$1,195,096	\$1,429,197

# National Kidney Foundation, Inc.

## Notes to Financial Statements

---

*Year ended March 31, 2016*

	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

\* 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 25, 2017, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.