

***National Kidney Foundation  
of Illinois, Inc.***

Financial Statements and  
Independent Auditor's Report

June 30, 2014 and 2013



**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**TABLE OF CONTENTS**

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 13

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Kidney Foundation of Illinois, Inc.

We have audited the accompanying financial statements of National Kidney Foundation of Illinois, Inc. (the "Foundation"), which comprise of the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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 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 National Kidney Foundation of Illinois, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*FGMK, LLC*

Bannockburn, Illinois  
October 20, 2014

## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 444,699	\$ 226,894
Investments	4,417,178	3,517,586
Accounts receivable	156,497	836,589
Prepaid expenses	<u>62,776</u>	<u>32,188</u>
	<u>5,081,150</u>	<u>4,613,257</u>
<b>PROPERTY AND EQUIPMENT</b>	1,270,381	1,260,589
Less: Accumulated depreciation and amortization	<u>796,705</u>	<u>757,241</u>
	<u>473,676</u>	<u>503,348</u>
<b>OTHER ASSETS</b>	<u>36,545</u>	<u>36,545</u>
	<u><u>\$ 5,591,371</u></u>	<u><u>\$ 5,153,150</u></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 232,587	\$ 183,220
Deferred revenue	<u>173,782</u>	<u>92,516</u>
	<u>406,369</u>	<u>275,736</u>
<b>NET ASSETS</b>		
Unrestricted	3,396,442	2,854,881
Temporarily restricted	1,781,560	2,015,533
Permanently restricted	<u>7,000</u>	<u>7,000</u>
	<u>5,185,002</u>	<u>4,877,414</u>
	<u><u>\$ 5,591,371</u></u>	<u><u>\$ 5,153,150</u></u>

The accompanying notes are an integral part of these statements.

**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES</b>				
Support from the public				
Received directly				
Contributions	\$ 125,555	\$ 44,982	\$ -	\$ 170,537
Received indirectly				
United Way campaign	23,488	20,000	-	43,488
Combined federal campaign	10,337	-	-	10,337
	<u>159,380</u>	<u>64,982</u>	<u>-</u>	<u>224,362</u>
Special events fund raisers				
Revenues	982,178	230,747	-	1,212,925
Less: Direct costs	447,966	-	-	447,966
	<u>534,212</u>	<u>230,747</u>	<u>-</u>	<u>764,959</u>
Net support from special events				
Total support from the public	<u>693,592</u>	<u>295,729</u>	<u>-</u>	<u>989,321</u>
Government grants	<u>-</u>	<u>78,695</u>	<u>-</u>	<u>78,695</u>
Other revenues				
Sales of donated vehicles	35,975	-	-	35,975
Less: Cost of sales and selling expenses	8,801	-	-	8,801
	<u>27,174</u>	<u>-</u>	<u>-</u>	<u>27,174</u>
Net sales of donated vehicles				
Program services	14,815	262,330	-	277,145
Investment return, net	418,329	-	-	418,329
Other	4,495	-	-	4,495
	<u>464,813</u>	<u>262,330</u>	<u>-</u>	<u>727,143</u>
Total other revenues				
Net assets released from restrictions	<u>870,727</u>	<u>( 870,727)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES (to page 4)</b>	<u>\$ 2,029,132</u>	<u>\$( 233,973)</u>	<u>\$ -</u>	<u>\$ 1,795,159</u>

The accompanying notes are an integral part of these statements.

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Support from the public				
Received directly				
Contributions	\$ 169,704	\$ 54,870	\$ -	\$ 224,574
Received indirectly				
United Way campaign	14,660	30,000	-	44,660
Combined federal campaign	9,303	-	-	9,303
	<u>193,667</u>	<u>84,870</u>	<u>-</u>	<u>278,537</u>
Special events fund raisers				
Revenues	733,514	187,898	-	921,412
Less: Direct costs	437,741	-	-	437,741
	<u>295,773</u>	<u>187,898</u>	<u>-</u>	<u>483,671</u>
Net support from special events				
Total support from the public	<u>489,440</u>	<u>272,768</u>	<u>-</u>	<u>762,208</u>
Government grants	<u>-</u>	<u>39,181</u>	<u>-</u>	<u>39,181</u>
Other revenues				
Sales of donated vehicles	41,145	-	-	41,145
Less: Cost of sales and selling expenses	8,337	-	-	8,337
	<u>32,808</u>	<u>-</u>	<u>-</u>	<u>32,808</u>
Net sales of donated vehicles				
Program services	11,695	1,039,201	-	1,050,896
Investment return, net	296,625	-	-	296,625
Other	4,019	-	-	4,019
	<u>345,147</u>	<u>1,039,201</u>	<u>-</u>	<u>1,384,348</u>
Total other revenues				
Net assets released from restrictions	<u>818,480</u>	<u>( 818,480)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES (to page 4)</b>	<u>\$ 1,653,067</u>	<u>\$ 532,670</u>	<u>\$ -</u>	<u>\$ 2,185,737</u>

(Continued)

**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2014 AND 2013**

(Concluded)

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>TOTAL REVENUES (from page 3)</b>	\$ 2,029,132	\$( 233,973)	\$ -	\$ 1,795,159
<b>EXPENSES</b>				
Program services				
Community services	277,541	-	-	277,541
Patient services	297,294	-	-	297,294
Public education	291,388	-	-	291,388
Professional education	133,611	-	-	133,611
Research	80,136	-	-	80,136
	<u>1,079,970</u>	<u>-</u>	<u>-</u>	<u>1,079,970</u>
Supporting services				
Fund-raising	366,629	-	-	366,629
Management and general	40,972	-	-	40,972
	<u>407,601</u>	<u>-</u>	<u>-</u>	<u>407,601</u>
	<u>1,487,571</u>	<u>-</u>	<u>-</u>	<u>1,487,571</u>
<b>CHANGE IN NET ASSETS</b>	541,561	( 233,973)	-	307,588
<b>NET ASSETS</b>				
Beginning of year	<u>2,854,881</u>	<u>2,015,533</u>	<u>7,000</u>	<u>4,877,414</u>
End of year	<u>\$ 3,396,442</u>	<u>\$ 1,781,560</u>	<u>\$ 7,000</u>	<u>\$ 5,185,002</u>

The accompanying notes are an integral part of these statements.

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>TOTAL REVENUES (from page 3)</b>	\$ 1,653,067	\$ 532,670	\$ -	\$ 2,185,737
<b>EXPENSES</b>				
Program services				
Community services	343,768	-	-	343,768
Patient services	381,985	-	-	381,985
Public education	305,083	-	-	305,083
Professional education	146,476	-	-	146,476
Research	83,531	-	-	83,531
	<u>1,260,843</u>	<u>-</u>	<u>-</u>	<u>1,260,843</u>
Supporting services				
Fund-raising	257,144	-	-	257,144
Management and general	43,441	-	-	43,441
	<u>300,585</u>	<u>-</u>	<u>-</u>	<u>300,585</u>
	<u>1,561,428</u>	<u>-</u>	<u>-</u>	<u>1,561,428</u>
<b>CHANGE IN NET ASSETS</b>	91,639	532,670	-	624,309
<b>NET ASSETS</b>				
Beginning of year	<u>2,763,242</u>	<u>1,482,863</u>	<u>7,000</u>	<u>4,253,105</u>
End of year	<u>\$ 2,854,881</u>	<u>\$ 2,015,533</u>	<u>\$ 7,000</u>	<u>\$ 4,877,414</u>



**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2014**

	Program Services			
	Research	Public Education	Professional Education	Patient Services
Salaries	\$ 6,542	\$ 169,705	\$ 27,260	\$ 150,804
Program material and services	-	-	40,204	37,326
Direct benefit costs - Special events	-	-	-	-
Professional fees and contract services	698	18,105	2,908	16,088
Revenue share payment to National Kidney Foundation, Inc.	9,684	20,265	49,855	19,044
Employee benefits	781	20,267	3,256	18,010
Depreciation of property and equipment	395	10,238	1,645	9,098
Payroll taxes	491	12,745	2,047	11,325
Office supplies	690	17,910	2,877	15,915
Occupancy	241	6,239	1,002	5,544
Donated vehicles - Cost of sales	-	-	-	-
Postage and shipping	69	1,784	287	1,585
Awards and grants	60,000	-	-	-
Printing and visual aids	109	2,839	456	2,522
Meetings and travel	139	3,593	577	3,193
Telephone	119	3,098	498	2,753
General insurance	90	2,322	373	2,063
Miscellaneous	88	2,278	366	2,024
	<u>80,136</u>	<u>291,388</u>	<u>133,611</u>	<u>297,294</u>
Less:				
Direct benefit costs - Special events	-	-	-	-
Donated vehicles - Cost of sales	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 80,136</u>	<u>\$ 291,388</u>	<u>\$ 133,611</u>	<u>\$ 297,294</u>
Current year's percentages	<u>5.39%</u>	<u>19.59%</u>	<u>8.98%</u>	<u>19.99%</u>

The accompanying notes are an integral part of this statement.

Community Services	Total	Supporting Services			Total Program and Supporting
		Fund-Raising	Management and General	Total	
\$ 68,442	\$ 422,753	\$ 219,028	\$ 12,358	\$ 231,386	\$ 654,139
125,331	202,861	-	-	-	202,861
-	-	447,966	-	447,966	447,966
7,302	45,101	23,367	1,318	24,685	69,786
42,866	141,714	16,708	21,236	37,944	179,658
8,174	50,488	26,158	1,476	27,634	78,122
4,129	25,505	13,214	746	13,960	39,465
5,140	31,748	16,449	928	17,377	49,125
7,223	44,615	23,115	1,304	24,419	69,034
2,517	15,543	8,052	454	8,506	24,049
-	-	-	8,801	8,801	8,801
719	4,444	2,303	130	2,433	6,877
-	60,000	-	-	-	60,000
1,145	7,071	3,664	207	3,871	10,942
1,449	8,951	4,637	262	4,899	13,850
1,249	7,717	3,998	226	4,224	11,941
936	5,784	2,996	169	3,165	8,949
919	5,675	2,940	158	3,098	8,773
<u>277,541</u>	<u>1,079,970</u>	<u>814,595</u>	<u>49,773</u>	<u>864,368</u>	<u>1,944,338</u>
-	-	447,966	-	447,966	447,966
-	-	-	8,801	8,801	8,801
-	-	447,966	8,801	456,767	456,767
<u>\$ 277,541</u>	<u>\$ 1,079,970</u>	<u>\$ 366,629</u>	<u>\$ 40,972</u>	<u>\$ 407,601</u>	<u>\$ 1,487,571</u>
<u>18.66%</u>	<u>72.60%</u>	<u>24.65%</u>	<u>2.75%</u>	<u>27.40%</u>	<u>100.00%</u>

**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2013**

	Program Services			
	Research	Public Education	Professional Education	Patient Services
Salaries	\$ 7,119	\$ 189,076	\$ 35,808	\$ 212,469
Program material and services	-	-	43,927	40,783
Direct benefit costs - Special events	-	-	-	-
Professional fees and contract services	649	17,241	3,265	19,374
Revenue share payment to National Kidney Foundation, Inc.	11,928	19,750	48,512	20,567
Employee benefits	552	14,664	2,777	16,478
Depreciation of property and equipment	508	13,502	2,557	15,172
Payroll taxes	542	14,395	2,726	16,176
Office supplies	528	14,032	2,657	15,768
Occupancy	235	6,251	1,184	7,024
Donated vehicles - Cost of sales	-	-	-	-
Postage and shipping	66	1,743	330	1,959
Awards and grants	60,000	-	-	-
Printing and visual aids	70	1,870	354	2,101
Meetings and travel	100	2,649	502	2,977
Telephone	118	3,141	595	3,530
General insurance	76	2,025	384	2,276
Miscellaneous	1,040	4,744	898	5,331
	<u>83,531</u>	<u>305,083</u>	<u>146,476</u>	<u>381,985</u>
Less:				
Direct benefit costs - Special events	-	-	-	-
Donated vehicles - Cost of sales	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,531</u>	<u>\$ 305,083</u>	<u>\$ 146,476</u>	<u>\$ 381,985</u>
Current year's percentages	<u>5.34%</u>	<u>19.54%</u>	<u>9.38%</u>	<u>24.46%</u>

The accompanying notes are an integral part of this statement.

Community Services	Total	Supporting Services			Total Program and Supporting
		Fund-Raising	Management and General	Total	
\$ 111,484	\$ 555,956	\$ 160,785	\$ 12,943	\$ 173,728	\$ 729,684
136,938	221,648	-	-	-	221,648
-	-	423,725	-	423,725	423,725
10,165	50,694	14,661	1,180	15,841	66,535
38,593	139,350	14,506	23,909	38,415	177,765
8,646	43,117	12,470	1,004	13,474	56,591
7,961	39,700	11,482	924	12,406	52,106
8,488	42,327	12,241	985	13,226	55,553
8,273	41,258	11,932	961	12,893	54,151
3,685	18,379	5,315	428	5,743	24,122
-	-	-	8,337	8,337	8,337
1,028	5,126	1,482	119	1,601	6,727
-	60,000	-	-	-	60,000
1,102	5,497	1,590	128	1,718	7,215
1,562	7,790	2,253	181	2,434	10,224
1,852	9,236	2,671	215	2,886	12,122
1,194	5,955	1,722	139	1,861	7,816
2,797	14,810	4,034	325	4,359	19,169
<u>343,768</u>	<u>1,260,843</u>	<u>680,869</u>	<u>51,778</u>	<u>732,647</u>	<u>1,993,490</u>
-	-	423,725	-	423,725	423,725
-	-	-	8,337	8,337	8,337
-	-	423,725	8,337	432,062	432,062
<u>\$ 343,768</u>	<u>\$ 1,260,843</u>	<u>\$ 257,144</u>	<u>\$ 43,441</u>	<u>\$ 300,585</u>	<u>\$ 1,561,428</u>
<u>22.02%</u>	<u>80.75%</u>	<u>16.47%</u>	<u>2.78%</u>	<u>19.25%</u>	<u>100.00%</u>

## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## STATEMENTS OF CASH FLOWS

## YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 307,588	\$ 624,309
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	39,465	52,108
Net unrealized (gain) loss on investments	169,208	( 209,298)
Net realized (gain) loss on investments	( 486,896)	( 1,865)
(Increase) decrease in:		
Accounts receivable	680,092	( 533,956)
Prepaid expenses	( 30,588)	9,524
Increase (decrease) in:		
Accounts payable and accrued expenses	49,367	70,577
Deferred revenue	81,266	( 54,719)
	<u>809,502</u>	<u>( 43,320)</u>
Net Cash Provided By (Used In) Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	( 3,578,600)	( 68,897)
Proceeds from sale of investments	2,996,696	180,213
Purchases of property and equipment	( 9,793)	( 10,087)
	<u>( 591,697)</u>	<u>101,229</u>
Net Cash Provided By (Used In) Investing Activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	217,805	57,909
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>226,894</u>	<u>168,985</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 444,699</u>	<u>\$ 226,894</u>

The accompanying notes are an integral part of these statements.

## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Activities.** The National Kidney Foundation of Illinois, Inc. (the “Foundation”) is a not-for-profit voluntary health organization. The Foundation provides public education, professional education, patient services, community services and research grants relating to kidney disease and transplantation in Illinois. The Foundation is an affiliate of the National Kidney Foundation, Inc. (the “National Office”).

**Basis of Presentation.** These financial statements have been prepared on the accrual basis of accounting. These financial statements report amounts separately by class of net assets. The separate classes of net assets are defined as follows:

Unrestricted - Amounts that are currently available for use in the Foundation’s operation and for acquisition of property and equipment.

Temporarily Restricted - Amounts that are stipulated by donors for specific operating purposes or for use in future periods.

Permanently Restricted - Amounts that are stipulated by donors to be maintained permanently by the Foundation.

**Investment Valuation and Income Recognition.** Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment return includes the Foundation’s gains and losses on investments bought and sold as well as held during the year and are included in the statements of activities.

**Contributions and Grants.** All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions used to cover the costs of special events in a future period are considered to be deferred revenue until the special events occur, at which time the deferred revenue is reclassified as special events contributions.

The Foundation is a grant member of United Way of Metropolitan Chicago (“United Way”). As a grant member, the Foundation must comply with certain fund-raising policies of United Way and provide certain program services. The amount of funds allocated to the Foundation is determined by United Way on an annual basis and is paid to the Foundation in equal monthly installments.

United Way awarded the Foundation a grant during the period from July 24, 2013 through July 31, 2014. The grant represents reimbursements for certain salary, benefits, and travel costs subject to certain donor-imposed conditions and reporting requirements. The Foundation recognized \$68,805 of revenue related to this grant during the year ended June 30, 2014, of which \$48,808 is included in accounts receivable as of June 30, 2014.

Northwestern University awarded the Foundation a grant during the period from September 1, 2011 through August 31, 2015. The grant represents reimbursements for certain salary, benefits, and travel costs subject to certain donor-imposed conditions and reporting requirements. The Foundation recognized \$9,890 and \$39,181 of revenue related to this grant during the years ended June 30, 2014 and 2013, respectively, of which \$2,322 and \$34,102 is included in accounts receivable as of June 30, 2014 and 2013, respectively.

(Continued)

## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

**Affiliations.** Twenty five percent of gross unrestricted contributed income, as defined, less certain allowed expenses, are remitted to the National Office. The Foundation had outstanding balances due to the National Office of \$166,598 and \$108,575, as of June 30, 2014 and 2013, respectively, which are included in accounts payable and accrued expenses on the accompanying statements of financial position.

**Cash and Cash Equivalents.** Cash and cash equivalents include temporary investments purchased with a maturity of three months or less. The Foundation maintains cash and cash equivalents in bank accounts that may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

**Pledges.** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates based on the long-term federal rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable as of June 30, 2014 and 2013 are expected to be collected within one year.

**Depreciation.** Property and equipment are recorded at cost as of the date of acquisition or at fair market value at the date of donation. Property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no impairment charges for the years ended June 30, 2014 and 2013. Depreciation is provided on accelerated and straight-line methods over the estimated useful lives of the assets generally as follows:

Building	27.5
Equipment	5 - 7
Furnishings	5 - 7
KidneyMobile	7

**Allocation of Costs.** Expenses, which cannot be directly identified with specific functions, are allocated based on estimates of staff hours devoted to the respective functions. The revenue share payment to the National Office is allocated to specific functions based on percentages provided by the National Office as follows for the years ended June 30:

	2014	2013
Research	5.39%	6.71%
Public education	11.28%	11.11%
Professional education	27.75%	27.29%
Patient services	10.60%	11.57%
Community services	23.86%	21.71%
Fundraising	9.30%	8.16%
Management and general	11.82%	13.45%

**Management Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein. Actual results could differ from those estimates. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

**Reclassification.** Certain amounts in the 2013 financial statements have been reclassified in order to conform with the 2014 presentation.

## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	2014	2013
Pledges	\$ 105,367	\$ 802,487
Grants	51,130	34,102
	<u>\$ 156,497</u>	<u>\$ 836,589</u>

The Foundation has not received any unconditional promises to give which cover a period greater than one year and has not received any conditional promises to give as of June 30, 2014 and 2013.

## NOTE 3 – INVESTMENTS

Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1.** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2.** Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2014 and 2013.

**Mutual Funds and Money Market Funds.** Valued at the net asset value of shares held by the Plan at year end.

**Common Stocks, Corporate Bonds and U.S. Government Securities.** Valued at the closing price reported on the active market on which the individual securities are traded.

(Continued)



## NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3 – INVESTMENTS (Concluded)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2014 and 2013:

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents	\$ 21,105	\$ -	\$ -	\$ 21,105
Equities	1,644,840	-	-	1,644,840
Alternatives	901,261	-	-	901,261
Fixed Income - Bonds	1,849,972	-	-	1,849,972
Total investment assets at fair value	<u>\$ 4,417,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,417,178</u>

	Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents	\$ 12,142	\$ -	\$ -	\$ 12,142
Equities	1,131,410	-	-	1,131,410
Alternatives	1,046,350	-	-	1,046,350
Global - Balanced	60,743	-	-	60,743
Fixed Income - Bonds	1,266,941	-	-	1,266,941
Total investment assets at fair value	<u>\$ 3,517,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,517,586</u>

The components of the investment return as shown in the accompanying statements of activities are as follows:

Year Ended June 30	Interest and Dividends	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Total Investment Return, Net
2014	<u>\$ 100,641</u>	<u>\$ 486,896</u>	<u>\$ ( 169,208)</u>	<u>\$ 418,329</u>
2013	<u>\$ 85,462</u>	<u>\$ 1,865</u>	<u>\$ 209,298</u>	<u>\$ 296,625</u>

Investment management fees were \$18,737 and \$16,776 for the years ended June 30, 2014 and 2013, respectively, and are included in professional fees and contract services in the accompanying statements of functional expenses.

**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Building	\$ 852,868	\$ 852,868
Equipment	62,772	52,980
Furnishings	76,111	76,111
KidneyMobile	<u>278,630</u>	<u>278,630</u>
	<u>\$ 1,270,381</u>	<u>\$ 1,260,589</u>

**NOTE 5 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS**

Permanently restricted net assets are comprised of \$7,000 in gifts. The principal of these gifts is to be held in perpetuity. All earnings thereon are included as unrestricted net assets.

Temporarily restricted net assets were available for the following purposes in Illinois as of June 30:

	<u>2014</u>	<u>2013</u>
Research	\$ 1,395,344	\$ 1,407,782
Program services	<u>386,216</u>	<u>607,751</u>
	<u>\$ 1,781,560</u>	<u>\$ 2,015,533</u>

**NOTE 6 – INCOME TAX STATUS**

The Foundation is a not-for-profit voluntary health agency exempt from income tax under Section 501(c)(3) of the Internal Revenue Code under the exemption granted to the National Office. Contributions from individuals qualify as a charitable contribution deduction subject to the 50% limitation. The National Office has been designated by the Internal Revenue Service as a “publicly supported organization.”

GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by the Internal Revenue Service or other tax authorities, generally for three years after the tax returns are filed; however, there are currently no audits for any tax periods in progress.

**NOTE 7 – EMPLOYEE BENEFIT PLANS**

The Foundation has a 401(k) plan that covers substantially all the employees who have completed at least 12 months of service.

The Plan document allows for a discretionary employer match. The Foundation contributed approximately \$15,000 and \$7,300 for the years ended June 30, 2014 and 2013, respectively.

**NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.****NOTES TO THE FINANCIAL STATEMENTS****NOTE 8 – COMMITMENTS**

The Foundation leases certain office equipment under various non-cancelable operating leases which expire in July 2019. Monthly rent expense related to these leases average approximately \$870.

The Foundation awarded a \$60,000 research grant to a doctor at Northwestern University. The grant is for research during the year ended June 30, 2014 and is to be paid in installments of \$30,000. The Foundation disbursed \$60,000 relating to this grant during the year ended June 30, 2014. The Foundation has committed an additional \$60,000 for year ended June 30, 2015 contingent on reaching certain milestones as defined in the grant agreement.

**NOTE 9 – CONCENTRATIONS**

The Gift of Life Gala is an annual general fundraising event which generated gross revenues of \$352,340 and \$317,664 and accounted for approximately 20% and 14% of total revenues for the years ended June 30, 2014 and 2013, respectively. The increase in net assets from this event totaled \$169,703 and \$148,488 for the years ended June 30, 2014 and 2013, respectively.

The Middle Market Open is an annual golf tournament and fundraiser targeting middle market companies. This event generated gross revenues of \$530,222 and \$386,928 and accounted for approximately 30% and 18% of total revenues for the years ended June 30, 2014 and 2013, respectively. The increase in net assets from this event totaled \$321,438 and \$154,553 for the years ended June 30, 2014 and 2013, respectively.

The Walk for Kidneys is an annual general fundraising event which generated gross revenues of \$241,722 and \$166,865 and accounted for approximately 13% and 8% of total revenues for the years ended June 30, 2014 and 2013, respectively. The increase in net assets from this event totaled \$215,811 and \$144,691 for the years ended June 30, 2014 and 2013, respectively.

The KidneyMobile is a mobile, interactive exhibit that travels throughout Illinois providing free prevention education and health screening for high blood pressure, diabetes and chronic kidney disease. Contributions for the operation of the KidneyMobile and general contributions to the Foundation generated from the KidneyMobile's operations totaled \$110,570 and \$848,816 and accounted for approximately 6% and 39% of total revenues for the years ended June 30, 2014 and 2013, respectively. Included in the gross contributions for the year ended June 30, 2013 is a contribution from the Weiss Memorial Hospital totaling \$687,750, all of which is included in accounts receivable as of June 30, 2013 and was collected in the next fiscal year. After considering operations, maintenance, and other costs, the increase in net assets for the operation of the KidneyMobile was \$9,669 and \$722,123 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated all known subsequent events from June 30, 2014 through October 20, 2014, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.