

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

Financial Statements and
Independent Auditor's Report

March 31, 2017 and 2016



NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

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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 March 31, 2017 and 2016, 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 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 March 31, 2017 and 2016, 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
August 22, 2017

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2017 AND 2016

	ASSETS	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 649,363	\$ 520,172
Investments	4,720,997	4,387,081
Accounts receivable	169,498	138,560
Prepaid expenses	136,975	107,543
	<u>5,676,833</u>	<u>5,153,356</u>
PROPERTY AND EQUIPMENT	1,076,686	1,297,141
Less: Accumulated depreciation and amortization	<u>631,770</u>	<u>864,062</u>
	<u>444,916</u>	<u>433,079</u>
OTHER ASSETS	<u>36,545</u>	<u>36,545</u>
	<u>\$ 6,158,294</u>	<u>\$ 5,622,980</u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 101,580	\$ 98,650
Deferred revenue	<u>61,344</u>	<u>69,768</u>
	<u>162,924</u>	<u>168,418</u>
NET ASSETS		
Unrestricted	3,349,347	3,100,894
Temporarily restricted	2,639,023	2,346,668
Permanently restricted	<u>7,000</u>	<u>7,000</u>
	<u>5,995,370</u>	<u>5,454,562</u>
	<u>\$ 6,158,294</u>	<u>\$ 5,622,980</u>

The accompanying notes are an integral part of these statements.

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support from the public				
Received directly				
Contributions	\$ 201,162	\$ 5,942	\$ -	\$ 207,104
Received indirectly				
United Way campaign	37,458	30,000	-	67,458
Combined federal campaign	6,122	-	-	6,122
	<u>244,742</u>	<u>35,942</u>	<u>-</u>	<u>280,684</u>
Special events fund raisers				
Revenues	1,253,652	258,159	-	1,511,811
Less: Direct costs	630,142	-	-	630,142
	<u>623,510</u>	<u>258,159</u>	<u>-</u>	<u>881,669</u>
Net support from special events				
Total support from the public	<u>868,252</u>	<u>294,101</u>	<u>-</u>	<u>1,162,353</u>
Government grants	<u>181</u>	<u>-</u>	<u>-</u>	<u>181</u>
Other revenues				
Sales of donated vehicles	60,575	-	-	60,575
Less: Cost of sales and selling expenses	10,864	-	-	10,864
	<u>49,711</u>	<u>-</u>	<u>-</u>	<u>49,711</u>
Net sales of donated vehicles				
Program services	16,325	584,099	-	600,424
Investment return, net	347,726	-	-	347,726
Other	2,550	-	-	2,550
	<u>416,312</u>	<u>584,099</u>	<u>-</u>	<u>1,000,411</u>
Total other revenues				
Net assets released from restrictions	<u>585,845</u>	<u>(585,845)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES (to page 4)	<u>\$ 1,870,590</u>	<u>\$ 292,355</u>	<u>\$ -</u>	<u>\$ 2,162,945</u>

The accompanying notes are an integral part of this statement.

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
TOTAL REVENUES (from page 3)	<u>\$ 1,870,590</u>	<u>\$ 292,355</u>	<u>\$ -</u>	<u>\$ 2,162,945</u>
EXPENSES				
Program services				
Community services	364,900	-	-	364,900
Public education	311,628	-	-	311,628
Patient services	324,027	-	-	324,027
Professional education	197,368	-	-	197,368
Research	<u>110,701</u>	<u>-</u>	<u>-</u>	<u>110,701</u>
	<u>1,308,624</u>	<u>-</u>	<u>-</u>	<u>1,308,624</u>
Supporting services				
Fund-raising	275,691	-	-	275,691
Management and general	<u>37,822</u>	<u>-</u>	<u>-</u>	<u>37,822</u>
	<u>313,513</u>	<u>-</u>	<u>-</u>	<u>313,513</u>
	<u>1,622,137</u>	<u>-</u>	<u>-</u>	<u>1,622,137</u>
CHANGE IN NET ASSETS	248,453	292,355	-	540,808
NET ASSETS				
Beginning of year	<u>3,100,894</u>	<u>2,346,668</u>	<u>7,000</u>	<u>5,454,562</u>
End of year	<u>\$ 3,349,347</u>	<u>\$ 2,639,023</u>	<u>\$ 7,000</u>	<u>\$ 5,995,370</u>

The accompanying notes are an integral part of this statement.

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Support from the public				
Received directly				
Contributions	\$ 118,301	\$ 2,550	\$ -	\$ 120,851
Received indirectly				
United Way campaign	38,935	27,497	-	66,432
Combined federal campaign	11,405	-	-	11,405
	<u>168,641</u>	<u>30,047</u>	<u>-</u>	<u>198,688</u>
Special events fund raisers				
Revenues	1,112,696	295,753	-	1,408,449
Less: Direct costs	483,680	-	-	483,680
	<u>629,016</u>	<u>295,753</u>	<u>-</u>	<u>924,769</u>
Net support from special events				
Total support from the public	<u>797,657</u>	<u>325,800</u>	<u>-</u>	<u>1,123,457</u>
Government grants	<u>39,645</u>	<u>-</u>	<u>-</u>	<u>39,645</u>
Other revenues				
Sales of donated vehicles	40,205	-	-	40,205
Less: Cost of sales and selling expenses	9,861	-	-	9,861
	<u>30,344</u>	<u>-</u>	<u>-</u>	<u>30,344</u>
Net sales of donated vehicles				
Program services	18,450	561,661	-	580,111
Investment return, net	(111,919)	-	-	(111,919)
Other	4,349	-	-	4,349
	<u>(58,776)</u>	<u>561,661</u>	<u>-</u>	<u>502,885</u>
Total other revenues				
Net assets released from restrictions	<u>598,935</u>	<u>(598,935)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES (to page 6)	<u>\$ 1,377,461</u>	<u>\$ 288,526</u>	<u>\$ -</u>	<u>\$ 1,665,987</u>

The accompanying notes are an integral part of this statement.

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
TOTAL REVENUES (from page 5)	<u>\$ 1,377,461</u>	<u>\$ 288,526</u>	<u>\$ -</u>	<u>\$ 1,665,987</u>
EXPENSES				
Program services				
Community services	314,091	-	-	314,091
Public education	363,538	-	-	363,538
Patient services	283,258	-	-	283,258
Professional education	188,909	-	-	188,909
Research	73,609	-	-	73,609
	<u>1,223,405</u>	<u>-</u>	<u>-</u>	<u>1,223,405</u>
Supporting services				
Fund-raising	274,889	-	-	274,889
Management and general	45,376	-	-	45,376
	<u>320,265</u>	<u>-</u>	<u>-</u>	<u>320,265</u>
	<u>1,543,670</u>	<u>-</u>	<u>-</u>	<u>1,543,670</u>
CHANGE IN NET ASSETS	(166,209)	288,526	-	122,317
NET ASSETS				
Beginning of year	<u>3,267,103</u>	<u>2,058,142</u>	<u>7,000</u>	<u>5,332,245</u>
End of year	<u>\$ 3,100,894</u>	<u>\$ 2,346,668</u>	<u>\$ 7,000</u>	<u>\$ 5,454,562</u>

The accompanying notes are an integral part of this statement.

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2017

	Program Services			
	Research	Public Education	Professional Education	Patient Services
Salaries	\$ 28,221	\$ 180,346	\$ 53,354	\$ 164,913
Program material and services	-	-	44,429	36,836
Direct benefit costs - Special events	-	-	-	-
Professional fees and contract services	3,788	24,212	7,163	22,140
Revenue share payment to National Kidney Foundation, Inc.	6,120	23,967	67,837	24,146
Employee benefits	3,015	19,268	5,701	17,620
Depreciation of property and equipment	1,854	11,845	3,504	10,832
Payroll taxes	2,335	14,923	4,414	13,646
Office supplies	2,468	15,771	4,666	14,422
Occupancy	899	5,746	1,700	5,254
Donated vehicles - Cost of sales	-	-	-	-
Postage and shipping	75	479	142	439
Awards and grants	59,567	-	-	-
Printing and visual aids	523	3,344	990	3,058
Meetings and travel	583	3,727	1,103	3,408
Telephone	629	4,019	1,189	3,675
General insurance	352	2,253	666	2,060
Miscellaneous	272	1,728	510	1,578
	<u>110,701</u>	<u>311,628</u>	<u>197,368</u>	<u>324,027</u>
Less:				
Direct benefit costs - Special events	-	-	-	-
Donated vehicles - Cost of sales	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 110,701</u>	<u>\$ 311,628</u>	<u>\$ 197,368</u>	<u>\$ 324,027</u>
Current year's percentages	<u>6.81%</u>	<u>19.21%</u>	<u>12.17%</u>	<u>19.98%</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	
\$ 110,677	\$ 537,511	\$ 159,622	\$ 8,378	\$ 168,000	\$ 705,511
132,613	213,878	-	-	-	213,878
-	-	630,142	-	630,142	630,142
14,859	72,162	21,430	1,125	22,555	94,717
55,752	177,822	21,086	24,459	45,545	223,367
11,825	57,429	17,054	895	17,949	75,378
7,269	35,304	10,484	550	11,034	46,338
9,158	44,476	13,208	693	13,901	58,377
9,679	47,006	13,959	733	14,692	61,698
3,526	17,125	5,086	267	5,353	22,478
-	-	-	10,864	10,864	10,864
294	1,429	425	22	447	1,876
-	59,567	-	-	-	59,567
2,052	9,967	2,960	155	3,115	13,082
2,287	11,108	3,298	173	3,471	14,579
2,466	11,978	3,557	187	3,744	15,722
1,383	6,714	1,994	105	2,099	8,813
1,060	5,148	1,528	80	1,608	6,756
<u>364,900</u>	<u>1,308,624</u>	<u>905,833</u>	<u>48,686</u>	<u>954,519</u>	<u>2,263,143</u>
-	-	630,142	-	630,142	630,142
-	-	-	10,864	10,864	10,864
-	-	<u>630,142</u>	<u>10,864</u>	<u>641,006</u>	<u>641,006</u>
<u>\$ 364,900</u>	<u>\$ 1,308,624</u>	<u>\$ 275,691</u>	<u>\$ 37,822</u>	<u>\$ 313,513</u>	<u>\$ 1,622,137</u>
<u>22.50%</u>	<u>80.67%</u>	<u>17.00%</u>	<u>2.33%</u>	<u>19.33%</u>	<u>100.00%</u>

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2016

	Program Services			
	Research	Public Education	Professional Education	Patient Services
Salaries	\$ 4,739	\$ 222,730	\$ 53,852	\$ 143,892
Program material and services	-	-	45,061	41,835
Direct benefit costs - Special events	-	-	-	-
Professional fees and contract services	585	27,517	6,653	17,777
Revenue share payment to National Kidney Foundation, Inc.	6,640	23,320	61,590	21,630
Employee benefits	485	22,807	5,514	14,734
Depreciation of property and equipment	259	12,161	2,940	7,856
Payroll taxes	395	18,554	4,486	11,987
Office supplies	296	13,898	3,360	8,979
Occupancy	149	7,001	1,693	4,523
Donated vehicles - Cost of sales	-	-	-	-
Postage and shipping	19	887	215	573
Awards and grants	59,730	-	-	-
Printing and visual aids	87	4,076	986	2,633
Meetings and travel	59	2,772	670	1,791
Telephone	79	3,725	901	2,406
General insurance	51	2,388	577	1,543
Miscellaneous	36	1,702	411	1,099
	<u>73,609</u>	<u>363,538</u>	<u>188,909</u>	<u>283,258</u>
Less:				
Direct benefit costs - Special events	-	-	-	-
Donated vehicles - Cost of sales	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,609</u>	<u>\$ 363,538</u>	<u>\$ 188,909</u>	<u>\$ 283,258</u>
Current year's percentages	<u>4.76%</u>	<u>23.55%</u>	<u>12.24%</u>	<u>18.35%</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	
\$ 81,424	\$ 506,637	\$ 167,586	\$ 15,078	\$ 182,664	\$ 689,301
140,470	227,366	-	-	-	227,366
-	-	483,680	-	483,680	483,680
10,060	62,592	20,705	1,863	22,568	85,160
49,247	162,427	18,901	22,343	41,244	203,671
8,337	51,877	17,160	1,544	18,704	70,581
4,446	27,662	9,150	823	9,973	37,635
6,783	42,205	13,961	1,256	15,217	57,422
5,081	31,614	10,457	941	11,398	43,012
2,559	15,925	5,268	474	5,742	21,667
-	-	-	9,861	9,861	9,861
324	2,018	668	60	728	2,746
-	59,730	-	-	-	59,730
1,490	9,272	3,067	276	3,343	12,615
1,013	6,305	2,086	188	2,274	8,579
1,362	8,473	2,803	252	3,055	11,528
873	5,432	1,797	162	1,959	7,391
622	3,870	1,280	116	1,396	5,266
<u>314,091</u>	<u>1,223,405</u>	<u>758,569</u>	<u>55,237</u>	<u>813,806</u>	<u>2,037,211</u>
-	-	483,680	-	483,680	483,680
-	-	-	9,861	9,861	9,861
-	-	483,680	9,861	493,541	493,541
<u>\$ 314,091</u>	<u>\$ 1,223,405</u>	<u>\$ 274,889</u>	<u>\$ 45,376</u>	<u>\$ 320,265</u>	<u>\$ 1,543,670</u>
<u>20.35%</u>	<u>79.25%</u>	<u>17.81%</u>	<u>2.94%</u>	<u>20.75%</u>	<u>100.00%</u>

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 540,808	\$ 122,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,338	37,635
Net unrealized/realized gain on investments	(270,558)	258,163
Increase (decrease) in:		
Accounts receivable	(30,938)	(75,610)
Prepaid expenses	(29,432)	(44,421)
Accounts payable and accrued expenses	2,930	(137,798)
Deferred revenue	<u>(8,424)</u>	<u>54,798</u>
Net Cash Provided By Operating Activities	<u>250,724</u>	<u>215,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(652,699)	(584,651)
Proceeds from sale of investments	589,340	577,053
Purchases of property and equipment	<u>(58,174)</u>	<u>(26,761)</u>
Net Cash Used In Investing Activities	<u>(121,533)</u>	<u>(34,359)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,191	180,725
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>520,172</u>	<u>339,447</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 649,363</u>	<u>\$ 520,172</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 2 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.

Revenues applicable to 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 revenue.

Affiliations. Twenty-five percent of gross unrestricted contributed income, as defined, less certain allowed expenses, are remitted to the National Office. The Foundation had an outstanding balance due to the National Office of \$30,837 and \$23,759 as of March 31, 2017 and 2016, respectively, which is 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.

(Continued)

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

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 year ended March 31, 2017 and 2016. Depreciation is provided on straight-line methods over the estimated useful lives of the assets generally as follows:

	Useful Life Estimated (Years)
Building	27.5
Equipment	3 - 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 March 31, 2017 and 2016:

	2017	2016
Research	2.74%	3.26%
Public education	10.73%	11.45%
Professional education	30.37%	30.24%
Patient services	10.81%	10.62%
Community services	24.96%	24.18%
Fundraising	9.44%	9.28%
Management and general	10.95%	10.97%
	<u>100.00%</u>	<u>100.00%</u>

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.

NOTE 2 – 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.

(Continued)

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS (Continued)

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 March 31, 2017 and 2016.

Mutual Funds and Money Market Funds. Valued at the net asset value of shares held by the Plan at year end, based on quoted market price.

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 March 31, 2017 and 2016:

	Assets at Fair Value as of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents	\$ 27,620	\$ -	\$ -	\$ 27,620
Mutual Funds:				
Equities	1,537,312	-	-	1,537,312
Alternatives	1,093,969	-	-	1,093,969
Fixed Income – Bonds	2,062,096	-	-	2,062,096
Total investment assets at fair value	<u>\$ 4,720,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,720,997</u>
	Assets at Fair Value as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and Equivalents	\$ 21,410	\$ -	\$ -	\$ 21,410
Mutual Funds:				
Equities	1,751,162	-	-	1,751,162
Alternatives	1,022,404	-	-	1,022,404
Fixed Income – Bonds	1,592,105	-	-	1,592,105
Total investment assets at fair value	<u>\$ 4,387,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,387,081</u>

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NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS (Concluded)

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

Year Ended March 31	Interest and Dividends	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Total Investment Return, Net
2017	\$ 77,585	\$(417)	\$ 270,558	\$ 347,726
Year Ended March 31	Interest and Dividends	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Total Investment Return, Net
2016	\$ 146,244	\$ 5,458	\$(263,621)	\$(111,919)

Investment management fees were \$13,771 and \$19,123 for the years ended March 31, 2017 and 2016, respectively, and are included in professional fees and contract services in the accompanying statements of functional expenses.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2017 and 2016:

	2017	2016
Building	\$ 852,868	\$ 852,868
Equipment	103,306	89,532
Furnishings	76,111	76,111
KidneyMobile	44,401	278,630
	\$ 1,076,686	\$ 1,297,141

NOTE 4 – 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 March 31, 2017 and 2016:

	2017	2016
Research	\$ 1,389,159	\$ 1,393,317
Program services	1,249,864	953,351
	\$ 2,639,023	\$ 2,346,668

NOTE 5 – 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.”

NATIONAL KIDNEY FOUNDATION OF ILLINOIS, INC.**NOTES TO THE FINANCIAL STATEMENTS****NOTE 6 – EMPLOYEE BENEFIT PLANS**

The Foundation has a 401(k) plan that covers substantially all the employees. Employees are immediately eligible and may enter the plan at semiannual entry dates.

The Plan document allows for a discretionary employer match. The Foundation contributed approximately \$17,000 and \$14,000 for the years ended March 31, 2017 and 2016, respectively.

NOTE 7 – 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 \$1,005.

The Foundation has awarded an approximately \$60,000 research grant to a doctor at Northwestern University. The grant is for research during the period July 1, 2016 through June 30, 2017 and is to be paid in installments of \$30,000. The Foundation has disbursed \$59,567 and \$59,523 relating to this grant during the years ended March 31, 2017 and 2016, respectively. The Foundation has also committed, to a different doctor \$60,000 for the period July 1, 2017 through June 30, 2018 contingent on reaching certain milestones, as defined in the grant agreement.

NOTE 8 – CONCENTRATIONS

The Gift of Life Gala is an annual general fundraising event which generated gross revenues of \$401,957 and \$408,036, respectively, and accounted for approximately 14% and 19% of total revenues for the years ended March 31, 2017 and 2016, respectively. The increase in net assets from this event totaled \$242,429 and \$227,401 for the years ended March 31, 2017 and 2016, respectively.

The Middle Market Open is an annual golf tournament and fundraiser targeting middle market companies. This event generated gross revenues of \$614,775 and \$673,617, respectively, and accounted for approximately 22% and 31% of total revenues for the years ended March 31, 2017 and 2016, respectively. The increase in net assets from this event totaled \$309,351 and \$434,305 for the years ended March 31, 2017 and 2016.

The Walk for Kidneys is an annual general fundraising event which generated gross revenues of \$344,411 and \$230,261, respectively, and accounted for approximately 12% and 11% of total revenues for the years ended March 31, 2017 and 2016, respectively. The increase in net assets from this event totaled \$234,520 and \$193,484 for the years ended March 31, 2017 and 2016, 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 \$386,200 and \$389,475, respectively, and accounted for approximately 14% and 18% of total revenues for the years ended March 31, 2017 and 2016, respectively. Included in the gross contributions for the year ended March 31, 2016 is a contribution from Weiss Memorial Hospital totaling \$337,750, all of which was collected during the period. After considering operations, maintenance, and other costs, the increase in net assets for the operation of the KidneyMobile was \$224,865 and \$275,491 for the years ended March 31, 2017 and 2016, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated all known subsequent events from March 31, 2017 through August 22, 2017, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.