

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

**Audited Financial Statements**

**June 30, 2016 and 2015**

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## **Independent Auditor's Report**

Board of Directors  
National Kidney Foundation of  
Maryland, Inc.  
Towson, Maryland

We have audited the accompanying financial statements of National Kidney Foundation of Maryland, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, 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 Maryland, Inc. as of June 30, 2016 and 2015, 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.

*McLean, Koehler, Sparks & Hammond*

Frederick, MD  
September 15, 2016

# National Kidney Foundation of Maryland, Inc.

## Statements of Financial Position

June 30,	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 135,745	\$ 76,047
Restricted cash and cash equivalents - Council on Renal Nutrition	1,568	1,443
Restricted cash and cash equivalents - Council of Nephrology Social Workers	3,920	3,966
Accounts receivable	52,305	114,022
Current bequest receivable, net of unamortized discount	123,469	120,000
Prepaid expenses	<u>18,942</u>	<u>18,490</u>
Total current assets	<u>335,949</u>	<u>333,968</u>
<b>Investments</b>	<u>915,276</u>	<u>1,199,092</u>
<b>Fixed Assets, at cost</b>	166,778	166,778
Less accumulated depreciation	<u>68,636</u>	<u>58,919</u>
Fixed assets, net	<u>98,142</u>	<u>107,859</u>
<b>Other Assets:</b>		
Long-term bequest receivable, net of unamortized discount	2,274,469	2,296,800
Cash surrender value of life insurance (face value - \$25,000)	5,779	5,088
Computer software, net	<u>61,925</u>	<u>77,406</u>
Total other assets	<u>2,342,173</u>	<u>2,379,294</u>
<b>Total Assets</b>	<u>\$ 3,691,540</u>	<u>\$ 4,020,213</u>

	<u>2016</u>	<u>2015</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Current maturities of note payable	\$ 25,802	\$ 25,802
Accounts payable and accrued expenses	135,386	86,985
Deferred revenue	<u>26,750</u>	<u>55,546</u>
Total current liabilities	187,938	168,333
<b>Other Liabilities - Long-term note payable</b>	<u>25,802</u>	<u>51,604</u>
Total liabilities	<u>213,740</u>	<u>219,937</u>
<b>Net Assets:</b>		
General (undesignated)	636,334	907,926
Board designated	<u>2,274,469</u>	<u>2,296,800</u>
Total unrestricted	2,910,803	3,204,726
Temporarily restricted	-	28,553
Permanently restricted	<u>566,997</u>	<u>566,997</u>
Total net assets	<u>3,477,800</u>	<u>3,800,276</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,691,540</u>	<u>\$ 4,020,213</u>

The notes to financial statements are an integral part of these statements.

# National Kidney Foundation of Maryland, Inc.

## Statements of Activities

For the year ended June 30, 2016 (with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
<b>Revenues</b>					
Support from the public:					
Received directly:					
Contributions and grants	\$ 309,612	\$ 453,352	\$ -	\$ 762,964	\$ 766,396
Received indirectly:					
United and Federated Funds	10,014	-	-	10,014	20,450
Combined Federal Campaign	11,078	19,512	-	30,590	16,134
Special events fundraisers:					
Revenues	521,751	-	-	521,751	863,772
In-kind contributions	-	292,685	-	292,685	-
Less: direct benefit costs	<u>418,553</u>	<u>-</u>	<u>-</u>	<u>418,553</u>	<u>249,562</u>
Net support from special events fundraisers	<u>103,198</u>	<u>292,685</u>	<u>-</u>	<u>395,883</u>	<u>614,210</u>
Total support from the public	<u>433,902</u>	<u>765,549</u>	<u>-</u>	<u>1,199,451</u>	<u>1,417,190</u>
Other revenue (loss):					
Seminars and dues	125	949	-	1,074	11,706
Investment (loss) income	(25,885)	(7,810)	-	(33,695)	69,242
Donated vehicles:					
Sales of donated vehicles	143,581	-	-	143,581	168,981
Less: cost of sales and selling expenses	<u>174,639</u>	<u>-</u>	<u>-</u>	<u>174,639</u>	<u>193,285</u>
Loss on sales of donated vehicles	<u>(31,058)</u>	<u>-</u>	<u>-</u>	<u>(31,058)</u>	<u>(24,304)</u>
Total other revenue (loss)	<u>(56,818)</u>	<u>(6,861)</u>	<u>-</u>	<u>(63,679)</u>	<u>56,644</u>
Net assets released from restriction - satisfaction of program restrictions	<u>787,241</u>	<u>(787,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues, gains and other support</b>	<u>1,164,325</u>	<u>(28,553)</u>	<u>-</u>	<u>1,135,772</u>	<u>1,473,834</u>
<b>Expenses</b>					
Program services:					
Research	164,490	-	-	164,490	293,828
Public education	151,682	-	-	151,682	200,678
Professional education	125,452	-	-	125,452	148,779
Patient services	349,793	-	-	349,793	539,976
Community services	<u>205,738</u>	<u>-</u>	<u>-</u>	<u>205,738</u>	<u>276,347</u>
<b>Total program services</b>	<u>997,155</u>	<u>-</u>	<u>-</u>	<u>997,155</u>	<u>1,459,608</u>
Supporting services:					
Fundraising	278,472	-	-	278,472	266,996
Management and general	<u>182,621</u>	<u>-</u>	<u>-</u>	<u>182,621</u>	<u>143,611</u>
<b>Total supporting services</b>	<u>461,093</u>	<u>-</u>	<u>-</u>	<u>461,093</u>	<u>410,607</u>
<b>Total expenses</b>	<u>1,458,248</u>	<u>-</u>	<u>-</u>	<u>1,458,248</u>	<u>1,870,215</u>
<b>Change in net assets</b>	<u>(293,923)</u>	<u>(28,553)</u>	<u>-</u>	<u>(322,476)</u>	<u>(396,381)</u>
Net assets at beginning of year	<u>3,204,726</u>	<u>28,553</u>	<u>566,997</u>	<u>3,800,276</u>	<u>4,196,657</u>
<b>Net assets at end of year</b>	<u>\$ 2,910,803</u>	<u>\$ -</u>	<u>\$ 566,997</u>	<u>\$ 3,477,800</u>	<u>\$ 3,800,276</u>

The notes to financial statements are an integral part of these statements.

# National Kidney Foundation of Maryland, Inc.

## Statements of Activities

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Support from the public:				
Received directly - contributions and grants	\$ 265,890	\$ 500,506	\$ -	\$ 766,396
Received indirectly:				
United and Federated Funds	20,450	-	-	20,450
Combined Federal Campaign	3,122	13,012	-	16,134
Special events fundraisers:				
Revenues	863,772	-	-	863,772
Less: direct benefit costs	249,562	-	-	249,562
Net support from special events fundraisers	614,210	-	-	614,210
<b>Total support from the public</b>	<u>903,672</u>	<u>513,518</u>	<u>-</u>	<u>1,417,190</u>
Other revenue (loss):				
Seminars and dues	500	11,206	-	11,706
Investment income	40,859	28,383	-	69,242
Donated vehicles:				
Sales of donated vehicles	168,981	-	-	168,981
Less: cost of sales and selling expenses	193,285	-	-	193,285
Loss on sales of donated vehicles	(24,304)	-	-	(24,304)
<b>Total other revenue</b>	<u>17,055</u>	<u>39,589</u>	<u>-</u>	<u>56,644</u>
Net assets released from restriction - satisfaction of program restrictions	<u>551,913</u>	<u>(551,913)</u>	<u>-</u>	<u>-</u>
<b>Total revenues, gains and other support</b>	<u>1,472,640</u>	<u>1,194</u>	<u>-</u>	<u>1,473,834</u>
<b>Expenses</b>				
Program services:				
Research	293,828	-	-	293,828
Public education	200,678	-	-	200,678
Professional education	148,779	-	-	148,779
Patient services	539,976	-	-	539,976
Community services	276,347	-	-	276,347
<b>Total program services</b>	<u>1,459,608</u>	<u>-</u>	<u>-</u>	<u>1,459,608</u>
Supporting services:				
Fundraising	266,996	-	-	266,996
Management and general	143,611	-	-	143,611
<b>Total supporting services</b>	<u>410,607</u>	<u>-</u>	<u>-</u>	<u>410,607</u>
<b>Total expenses</b>	<u>1,870,215</u>	<u>-</u>	<u>-</u>	<u>1,870,215</u>
<b>Change in net assets</b>	<u>(397,575)</u>	<u>1,194</u>	<u>-</u>	<u>(396,381)</u>
Net assets at beginning of year	<u>3,602,301</u>	<u>27,359</u>	<u>566,997</u>	<u>4,196,657</u>
<b>Net assets at end of year</b>	<u>\$ 3,204,726</u>	<u>\$ 28,553</u>	<u>\$ 566,997</u>	<u>\$ 3,800,276</u>

The notes to financial statements are an integral part of these statements.



## National Kidney Foundation of Maryland, Inc.

### Statements of Functional Expenses

For the year ended June 30, 2016 (with comparative totals for 2015)

	<b>Program Services</b>				
	<b>Research</b>	<b>Public Education</b>	<b>Professional Education</b>	<b>Patient Services</b>	<b>Community Services</b>
Salaries	\$ 33,073	\$ 66,146	\$ 33,073	\$ 132,292	\$ 99,219
Payroll taxes	2,819	5,642	2,821	11,283	8,462
Employee benefits	2,596	5,195	2,598	10,390	7,793
In-kind gift expense	-	-	-	-	-
Revenue share payment to National *	5,026	17,646	46,605	16,367	37,265
Donated vehicles cost of sales	-	-	-	-	-
Direct assistance to patients	-	-	-	135,946	2,963
Direct benefit costs	-	-	-	-	-
Awards and grants	91,417	-	-	-	2,500
Professional fees and contract services	7,977	22,976	7,976	11,897	9,572
Building occupancy	10,484	10,484	10,484	15,377	12,581
Donated vehicles service providers	-	-	-	-	-
Meetings and travel	630	8,024	11,319	923	4,639
Office supplies and expenses	2,673	7,105	2,673	3,920	6,374
Depreciation and amortization	3,778	3,780	3,780	5,544	4,536
Telephone and fax	2,109	2,108	2,108	3,092	2,606
Insurance	961	961	961	1,409	5,813
Printing and publications	659	659	791	967	791
Postage and shipping	144	432	119	175	251
Subscriptions and publications	144	524	144	211	373
Total expenses	164,490	151,682	125,452	349,793	205,738
Less direct expenses netted with revenue on statement of activities:					
Direct benefit costs/ in-kind gift expense	-	-	-	-	-
Donated vehicles cost of sales/ selling expenses	-	-	-	-	-
Total expenses reported by function	<u>\$ 164,490</u>	<u>\$ 151,682</u>	<u>\$ 125,452</u>	<u>\$ 349,793</u>	<u>\$ 205,738</u>
FY 16 percentages after deducting direct expenses of special events	11.3%	10.4%	8.6%	24.0%	14.1%
FY 15 percentages after deducting direct expenses of special events	15.7%	10.7%	8.0%	28.9%	14.8%

\* - Based on National Organization's activity using a 5 year moving average.

<b>Supporting Services</b>					
<u>Sub-Total</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Sub-Total</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
\$ 363,803	\$ 171,980	\$ 125,677	\$ 297,657	\$ 661,460	\$ 702,353
31,027	14,668	10,719	25,387	56,414	63,209
28,572	13,507	9,871	23,378	51,950	96,309
-	292,685	-	292,685	292,685	-
122,909	14,256	16,953	31,209	154,118	213,296
-	-	143,581	143,581	143,581	168,981
138,909	-	-	-	138,909	174,240
-	125,868	-	125,868	125,868	249,562
93,917	-	-	-	93,917	193,747
60,398	29,329	4,084	33,413	93,811	126,299
59,410	6,989	3,495	10,484	69,894	67,772
-	9,420	31,058	40,478	40,478	60,940
25,535	3,728	5,041	8,769	34,304	118,033
22,745	2,235	1,679	3,914	26,659	28,462
21,418	2,520	1,260	3,780	25,198	10,297
12,023	1,406	703	2,109	14,132	15,174
10,105	640	320	960	11,065	9,268
3,867	5,504	220	5,724	9,591	7,923
1,121	1,526	1,626	3,152	4,273	4,789
1,396	764	973	1,737	3,133	2,408
<u>997,155</u>	<u>697,025</u>	<u>357,260</u>	<u>1,054,285</u>	<u>2,051,440</u>	<u>2,313,062</u>
-	(418,553)	-	(418,553)	(418,553)	(249,562)
<u>-</u>	<u>-</u>	<u>(174,639)</u>	<u>(174,639)</u>	<u>(174,639)</u>	<u>(193,285)</u>
<u>\$ 997,155</u>	<u>\$ 278,472</u>	<u>\$ 182,621</u>	<u>\$ 461,093</u>	<u>\$ 1,458,248</u>	<u>\$ 1,870,215</u>
68.4%	19.1%	12.5%	31.6%	100.0%	
78.0%	14.3%	7.7%	22.0%		100.0%

The notes to financial statements are an integral part of these statements.

# National Kidney Foundation of Maryland, Inc.

## Statements of Functional Expenses

For the year ended June 30, 2015

	<b>Program Services</b>				
		<b>Public</b>	<b>Professional</b>	<b>Patient</b>	<b>Community</b>
	<b><u>Research</u></b>	<b><u>Education</u></b>	<b><u>Education</u></b>	<b><u>Services</u></b>	<b><u>Services</u></b>
Salaries	\$ 55,333	\$ 85,244	\$ 39,737	\$ 181,616	\$ 137,276
Employee benefits	6,604	12,050	5,185	27,407	17,637
Payroll taxes	4,876	6,565	3,254	15,670	11,457
Awards and grants	188,747	-	-	-	5,000
Professional fees and contract services	9,510	38,410	9,510	14,009	11,412
Direct assistance to patients	-	-	-	166,278	7,962
Office supplies and expenses	2,866	7,434	2,866	4,305	6,707
Telephone and fax	2,264	2,265	2,265	3,322	2,793
Postage and shipping	261	663	207	501	672
Building occupancy	10,165	10,166	10,166	14,910	12,199
Insurance	705	704	704	1,033	5,417
Printing and publications	791	791	791	1,161	949
Meetings and travel	1,247	10,281	10,673	84,468	3,615
Subscriptions and publications	84	564	84	123	251
Revenue share payment to National	8,830	23,996	61,792	22,908	51,148
Miscellaneous	-	-	-	-	-
Direct benefit costs	-	-	-	-	-
Depreciation	1,545	1,545	1,545	2,265	1,852
Donated vehicles cost of sales	-	-	-	-	-
Donated vehicles service providers	-	-	-	-	-
Total expenses	<u>293,828</u>	<u>200,678</u>	<u>148,779</u>	<u>539,976</u>	<u>276,347</u>
Less direct expenses netted with revenue on statement of activities:					
Direct benefit costs	-	-	-	-	-
Donated vehicles cost of sales/ selling expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses reported by function	<u>\$ 293,828</u>	<u>\$ 200,678</u>	<u>\$ 148,779</u>	<u>\$ 539,976</u>	<u>\$ 276,347</u>
Percentage of total functional expenses	<u>15.7%</u>	<u>10.7%</u>	<u>8.0%</u>	<u>28.9%</u>	<u>14.8%</u>

<b>Supporting Services</b>				
<u>Sub-Total</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Sub-Total</u>	<u>Total</u>
\$ 499,206	\$ 124,134	\$ 79,013	\$ 203,147	\$ 702,353
68,883	17,626	9,800	27,426	96,309
41,822	12,953	8,434	21,387	63,209
193,747	-	-	-	193,747
82,851	36,027	7,421	43,448	126,299
174,240	-	-	-	174,240
24,178	2,114	2,170	4,284	28,462
12,909	1,510	755	2,265	15,174
2,304	1,008	1,477	2,485	4,789
57,606	6,777	3,389	10,166	67,772
8,563	470	235	705	9,268
4,483	3,176	264	3,440	7,923
110,284	2,580	5,169	7,749	118,033
1,106	457	845	1,302	2,408
168,674	20,498	24,124	44,622	213,296
-	-	-	-	-
-	249,562	-	249,562	249,562
8,752	1,030	515	1,545	10,297
-	-	168,981	168,981	168,981
-	36,636	24,304	60,940	60,940
<u>1,459,608</u>	<u>516,558</u>	<u>336,896</u>	<u>853,454</u>	<u>2,313,062</u>
-	(249,562)	-	(249,562)	(249,562)
-	-	(193,285)	(193,285)	(193,285)
<u>\$1,459,608</u>	<u>\$ 266,996</u>	<u>\$ 143,611</u>	<u>\$ 410,607</u>	<u>\$ 1,870,215</u>
<u>78.0%</u>	<u>14.3%</u>	<u>7.7%</u>	<u>22.0%</u>	<u>100.0%</u>

The notes to financial statements are an integral part of these statements.

# National Kidney Foundation of Maryland, Inc.

## Statements of Cash Flows

For the years ended June 30,	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (322,476)	\$ (396,381)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	25,198	10,297
Amortization/adjustment of discount on bequest receivable	18,862	(32,856)
Realized gain on sale of investments	(30,302)	(197,714)
Unrealized loss on investments	75,062	140,894
Donation of vehicles	(143,581)	(168,981)
Proceeds from the disposition of donated vehicles	143,581	168,981
Decrease (increase) in:		
Accounts receivable	42,855	(22,043)
Bequest receivable	18,862	(32,856)
Prepaid expenses	(452)	21,797
Cash surrender value of life insurance	(691)	(668)
Increase (decrease) in:		
Accounts payable and accrued expenses	48,401	94
Deferred revenue	(28,796)	(51,970)
Net cash used in operating activities	<u>(153,477)</u>	<u>(561,406)</u>
<b>Cash flows from investing activities:</b>		
Purchase of computer software	-	(77,406)
Purchase of investments	(597,654)	(826,110)
Proceeds from sale of investments	<u>836,710</u>	<u>1,113,979</u>
Net cash provided by investing activities	<u>239,056</u>	<u>210,463</u>
<b>Cash flows from financing activities:</b>		
Proceeds from note payable	-	77,406
Principal payments on long-term debt	<u>(25,802)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(25,802)</u>	<u>77,406</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 59,777</b>	<b>(273,537)</b>
Cash and cash equivalents, beginning of year	<u>81,456</u>	<u>354,993</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 141,233</u></b>	<b><u>\$ 81,456</u></b>

The notes to financial statements are an integral part of these statements.

# **National Kidney Foundation of Maryland, Inc.**

## **Notes to Financial Statements**

For the years ended June 30, 2016

### **1. Purpose and Activities of the Foundation**

The National Kidney Foundation of Maryland, Inc. (the “Foundation”) is an affiliate of the National Kidney Foundation, Inc. (“National”). The mission of the Foundation is to prevent kidney and urinary tract disease, improve the health and well-being of patients and families affected by these diseases, and increase the availability of all organs for transplantation. The Foundation conducts programs in research, professional education, patient and community services, public education and organ donation. The work of the Foundation is funded entirely by public donations.

### **2. Summary of Significant Accounting Policies**

#### **Description of Program Services**

**Research:** The Foundation annually funds vitally needed research in the areas of kidney and urological diseases at Johns Hopkins School of Medicine and the University of Maryland School of Medicine.

**Patient Services:** The Foundation assists dialysis and transplant patients and supplies medical alert devices to all kidney patients.

**Professional Education:** The Foundation sponsors seminars, meetings and scientific sessions designed to inform health care providers, patients and others of the latest developments in the diagnosis, treatment and management of kidney disease.

**Community Services:** The Foundation provides community outreach through KEY (“Kidneys: Evaluate Yours”) screenings, free health screenings designed to alert participants to possible indicators of chronic kidney disease. The Foundation also supports therapeutic and recreational programs for children with kidney disease.

**Public Education:** The Foundation distributes a wide variety of informational literature at health fairs, through local media outlets in both electronic and print format, and as requested by interested parties.

#### **Basis of Accounting**

The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### **Basis of Presentation**

Under accounting principles generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets* – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted net assets* – Temporarily restricted net assets result from contributions whose use is 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 these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

*Permanently restricted net assets* – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with original maturities of three months or less.

The Foundation, at times throughout the year, may have had funds on deposit with a financial institution in excess of federally insured amounts. The Foundation continually reviews credit concentrations as part of its asset and liability management and believes the associated risk has been mitigated by maintaining cash balances in high quality financial institutions. The maximum deposit insurance amount of interest and noninterest bearing accounts is \$250,000, which is applied per depositor, per insured bank for each account ownership category. The Foundation has not experienced any losses on cash accounts and believes they are not exposed to significant credit risk. At June 30, 2016 and 2015, the Foundation had \$-0- and \$54,105 of cash balances, respectively, in excess of the FDIC limits. At June 30, 2016 and 2015, the Foundation's money market funds of \$145,947 and \$25,975, respectively, which are included with investments on the Statements of Financial Position, are not federally insured.

In accordance with the terms of the respective Chapter Affiliation agreements, cash and cash equivalents designated for the Council on Renal Nutrition and Council of Nephrology Social Workers are held in separate restricted cash accounts.

# **National Kidney Foundation of Maryland, Inc.**

## **Notes to Financial Statements**

For the years ended June 30, 2016

### **2. Summary of Significant Accounting Policies (continued)**

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes that accounts receivable are fully collectible, and no allowance for doubtful accounts is considered necessary as of June 30, 2016 and 2015.

Management believes the risk of incurring material losses related to accounts receivable is remote. All accounts receivable are unsecured.

#### **Investments**

Investments in equity and debt securities are recorded at fair market value based on quoted market prices. The effects of changes in the fair market value of these investments are reflected in the Statements of Activities within “investment income (loss)” as “unrealized (depreciation) appreciation on investments.” Realized gains and losses, determined using the cost basis of the specific securities sold, are also included in “investment income (loss).”

#### **Fair Value Measurements**

The Foundation applies fair value measurement standards which apply whenever other authoritative literature requires certain assets and liabilities to be measured at fair value. Items carried at fair value on a recurring basis consist primarily of financial instruments which are valued primarily based on quoted prices in active or brokered markets for identical as well as similar assets and liabilities. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Foundation also uses fair value concepts to test long-lived assets for impairment, if applicable.

In accordance with accounting standards, the Foundation characterized its investments in securities based on the priority of inputs used to value the investments, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Investments recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are investments where values are based on unadjusted quoted prices for identical assets in an active market that the Foundation has the ability to access. All investments currently held by the Foundation are considered to be level one.



# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Fair Value Measurements (continued)

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The Foundation currently has no level two investments.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The Foundation considers its long-term bequest receivable to be level 3.

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 its 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 carrying amounts of cash equivalents and current receivables approximate fair value due to the short-term nature of these instruments. The fair value of a bequest receivable resulting from a beneficial interest in a trust is determined by calculating the present value of estimated trust assets at the time the trust terminates and the future distributions expected to be received, using a 6% rate of return, a distributable income stream that approximates 5% (annually) of the market value of the trust and a 5% discount rate. The fair value for investments is determined by reference to quoted market prices.

#### Fixed Assets and Depreciation

Fixed assets are recorded at cost or at fair value if donated. The Foundation capitalizes fixed asset purchases over \$1,000 that have an estimated useful life greater than one year. Depreciation of fixed assets is provided using the straight-line method over the assets' estimated useful lives ranging from three to thirty-nine years.

#### Computer Software

Computer software consists of \$77,406 of computer software costs. This software was placed in service as of July 1, 2015. The computer software costs are amortized on the straight-line basis over the life of the asset of five years. Amortization expense totaled \$15,481 for the year ended June 30, 2016.

# **National Kidney Foundation of Maryland, Inc.**

## **Notes to Financial Statements**

For the years ended June 30, 2016

### **2. Summary of Significant Accounting Policies (continued)**

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give are recognized in the period the condition is satisfied. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restriction.”

#### **Grants**

Grants are conditioned on spending the funds in accordance with the terms of the grant. Funds not spent are generally refundable to the granting agency. The Foundation recognizes revenue from grants as the related expenses are incurred. Funds expended in excess of collections are recorded as “grants receivable” and are included within accounts receivable on the Statements of Financial Position. Funds received but not spent are recorded as “deferred revenue” on the Statements of Financial Position.

#### **Deferred Revenue**

Revenue received in advance of an event is recorded as deferred revenue.

#### **Income Taxes**

The Foundation is a public foundation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation qualify for a charitable contribution deduction. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended June 30, 2016 and 2015.

#### **Uncertain Tax Positions**

The Foundation follows the accounting guidance for “uncertainty in income taxes.” This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation’s tax returns to determine whether any tax positions would “more likely-than-not” be sustained by the applicable tax authority. Tax positions deemed not to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### **Uncertain Tax Positions** (continued)

The Foundation believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at June 30, 2016 and 2015 for uncertain income tax positions. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Foundation has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in functional expenses in the Statements of Activities. Since the Foundation is organized as a not-for-profit entity, this guidance does not have a material impact on the Foundation's financial statements. With few exceptions, the Foundation is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Financial Risk**

The Foundation invests in a professionally managed portfolio that contains equities and equity mutual funds, government securities, bonds and other fixed income funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

#### **Fair Value of Financial Instruments**

Financial instruments include cash, evidence of an ownership interest in an entity or a contract that both 1) imposes on an entity a contractual obligation to deliver or exchange cash or another financial instrument to another entity and 2) conveys to the other entity a contractual right to receive or exchange cash or another financial instrument from the first entity. Financial instruments can include cash equivalents, investments, receivables, payables, revolving credit facilities, short-term and long-term debt, and derivatives such as interest rate swaps, options and foreign currency contracts.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 2. Summary of Significant Accounting Policies (continued)

#### Fair Value of Financial Instruments (continued)

The Foundation estimates that the carrying amounts of its financial instruments approximate fair value due to the short term nature of those instruments. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly the estimates may not be indicative of the amounts the Foundation could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

#### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

#### Advertising Costs

Advertising costs are expensed when incurred. Advertising costs are included in the related program or special event expense on the Statements of Functional Expenses. Joint advertising costs are included in “public education” and “fundraising expenses” on the Statements of Functional Expenses. Advertising expenses totaled \$9,111 and \$38,051 for the years ended June 30, 2016 and 2015, respectively.

### 3. Investments

Investments consist of the following at June 30:

#### 2016

	<u>Cost</u>	<u>Net Unrealized Appreciation</u>	<u>Fair Value</u>
Equities and equity mutual funds	\$ 412,398	\$ 32,844	\$ 445,242
Money market funds	145,946	-	145,946
Government securities	128,936	5,876	134,812
Bonds and other fixed income funds	<u>186,871</u>	<u>2,405</u>	<u>189,276</u>
Total	<u>\$ 874,151</u>	<u>\$ 41,125</u>	<u>\$ 915,276</u>

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 3. Investments (continued)

#### 2015

	<u>Cost</u>	<u>Net Unrealized Appreciation</u>	<u>Fair Value</u>
Equities and equity mutual funds	\$ 719,576	\$ 109,701	\$ 829,277
Money market funds	25,975	-	25,975
Mortgage and asset backed securities	140,827	1,589	142,416
Bonds and other fixed income funds	<u>196,437</u>	<u>4,897</u>	<u>201,334</u>
Total	<u>\$ 1,082,815</u>	<u>\$ 116,187</u>	<u>\$ 1,199,002</u>

The following schedules summarize investment income (loss) and its classification in the Statements of Activities for the years ended June 30:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 14,380	\$ 7,408	\$ 21,788
Unrealized depreciation on investments	(49,541)	(25,521)	(75,062)
Realized gain on sale of investments	19,999	10,303	30,302
Investment fees	<u>(10,723)</u>	<u>-</u>	<u>(10,723)</u>
Total	<u>\$ (25,885)</u>	<u>\$ (7,810)</u>	<u>\$ (33,695)</u>

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 17,596	\$ 9,064	\$ 26,660
Unrealized depreciation on investments	(92,990)	(47,904)	(140,894)
Realized gain on sale of investments	130,491	67,223	197,714
Investment fees	<u>(14,238)</u>	<u>-</u>	<u>(14,238)</u>
Total	<u>\$ 40,859</u>	<u>\$ 28,383</u>	<u>\$ 69,242</u>

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 3. Investments (continued)

The following schedules summarize investments in the portfolio that were in a loss position at June 30:

<b><u>2016</u></b>	<u>Less than 12 months</u>		<u>More than 12 months</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Bonds and other fixed income	\$ -	\$ -	\$ 20,768	\$ (1,375)	\$ 20,768	\$ (1,375)
Equities and equity mutual	94,420	(11,609)	42,241	(9,984)	136,661	(21,593)
Government securities	-	-	11,215	(458)	11,215	(458)
	<u>\$ 94,420</u>	<u>\$ (11,609)</u>	<u>\$ 74,224</u>	<u>\$ (11,817)</u>	<u>\$ 168,644</u>	<u>\$ (23,426)</u>

<b><u>2015</u></b>	<u>Less than 12 months</u>		<u>More than 12 months</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Bonds and other fixed income	\$ 64,283	\$ (263)	\$ 16,184	\$ (821)	\$ 80,467	\$ (1,084)
Equities and equity mutual	213,382	(16,310)	63,664	(17,471)	277,046	(33,781)
Government securities	3,874	(43)	24,304	(565)	28,178	(608)
	<u>\$ 281,539</u>	<u>\$ (16,616)</u>	<u>\$ 104,152</u>	<u>\$ (18,857)</u>	<u>\$ 385,691</u>	<u>\$ (35,473)</u>

An investment could be considered impaired if its fair value is less than its cost basis. Management feels that all of the investment portfolio unrealized losses are temporary and no significant losses other than those already recorded will be recognized on these investments.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 4. Accounts and Bequest Receivable

Accounts and bequest receivable include the following at June 30:

	<u>2016</u>	<u>2015</u>
Accounts receivable:		
Pledges receivable	\$ 7,015	\$ 7,162
Grant receivable	5,779	5,088
Other	<u>39,511</u>	<u>101,772</u>
Total accounts receivable	<u>\$ 52,305</u>	<u>\$ 114,022</u>
	<u>2016</u>	<u>2015</u>
Bequest receivable	\$ 7,756,674	\$ 7,756,674
Less: unamortized discount	<u>5,358,736</u>	<u>5,339,874</u>
Total bequest receivable	<u>\$ 2,397,938</u>	<u>\$ 2,416,800</u>
	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 52,305	\$ 114,022
Bequest receivable	<u>7,756,674</u>	<u>7,756,674</u>
	<u>\$ 7,808,979</u>	<u>\$ 7,870,696</u>
Amounts due in:		
Less than one year	\$ 175,774	\$ 234,022
One to five years	516,279	507,176
Thereafter	<u>7,116,926</u>	<u>7,129,498</u>
Gross accounts and bequest receivable	<u>\$ 7,808,979</u>	<u>\$ 7,870,696</u>

In 2003, the Foundation received notification of a memorial charitable trust from which it will receive quarterly income distributions for a period of 50 years beginning December 25, 2003. After the 50 year time frame passes, the Foundation will receive its share of the trust corpus. At June 30, 2016 and 2015, the market value of the trust corpus designated for the Foundation approximates \$2,070,000 and \$2,183,000, respectively. Management reviews and evaluates the estimates used to determine the fair value of the bequest annually. During the year ended June 30, 2009, management updated the underlying estimates used to value the bequest and modified some of the original estimates. The updated estimates for the bequest now include the income distributions at 5% of the market value of the trust paid quarterly throughout the year. Previously, income distributions were estimated at approximately \$40,000 per year. The discount rate used to present value the bequest was reduced from 7% to 5% since the Foundation's incremental borrowing rate has decreased due to interest rate cuts by the Federal Reserve in recent years. The estimated total return on the trust corpus remains at 6%. The estimates for the bequest receivable are affected annually by market performance and original estimates of income

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 4. Accounts and Bequest Receivable (continued)

and distributions. The bequest receivable that has been recorded represents a conservative estimate. During the years ended June 30, 2016 and 2015, the Foundation recorded \$80,530 and \$116,934 of income from the trust, respectively, and expects to receive 5% of the market value of trust assets each year thereafter until December 25, 2053, when it will receive the trust corpus outright and free. The total amount expected to be received is recorded at the present value of these future cash flows discounted at 5%. The discount related to this bequest is \$5,358,736 and \$5,339,874 at June 30, 2016 and 2015, respectively.

Effective June 30, 2014, the Board of Directors of the Foundation designated and transferred the long-term portion of the bequest receivable to the Board Endowment Fund (See Note 6).

### 5. Note Payable

The note payable consists of one note payable to a third party, obtained in December 2014 in the original amount of \$77,406, for the purchase of computer software. The note requires monthly payments of \$2,150 beginning on July 1, 2015 and maturing in June 2018. The note is an interest free note, and payments required during 2016 totaled \$25,802. The future maturities of the note are as follows at June 30, 2017 - \$25,802 and June 30, 2018 - \$25,802.

### 6. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30 are as follows:

<u>2016</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments	\$ 915,276	\$ 915,276	\$ -
Bequest receivable	<u>2,397,938</u>	<u>-</u>	<u>2,397,938</u>
Total assets	<u>\$ 3,313,214</u>	<u>\$ 915,276</u>	<u>\$ 2,397,938</u>



# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 6. Fair Value Measurements (continued)

	<u>Fair Value</u>	Quoted Prices	Significant
		in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
Investments	\$ 1,199,092	\$ 1,199,092	\$ -
Bequest receivable	<u>2,416,800</u>	<u>-</u>	<u>2,416,800</u>
Total assets	<u>\$ 3,615,892</u>	<u>\$ 1,199,092</u>	<u>\$ 2,416,800</u>

See the related Endowment Fund disclosures for a table presenting information about the changes in the accounts receivable - bequest, which is measured at fair value on a recurring basis using significant unobservable inputs.

The amortization of the discount on the bequest receivable and income distributions from the trust are included with temporarily restricted contributions and grants received directly on the Statements of Activities for the years ended June 30, 2016 and 2015, respectively.

### 7. Endowment Funds

During the year ended June 30, 2005, the Board of Directors of the Foundation designated net assets and investments of \$1,000,000 to help further the Foundation's mission, secure its future financial stability and to provide programs and services to meet long-term, multi-generational needs. Effective June 30, 2014, the Board of Directors of the Foundation removed the designation of these funds and designated the long-term bequest receivable of the Foundation as assets to be held to meet the objectives for which the \$1,000,000 had been previously designated.

Since these amounts resulted from internal designations and are not donor-restricted, they are classified as unrestricted net assets.

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The endowment funds of the organization are included in the investments and net assets.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 7. Endowment Funds (continued)

The Foundation's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting standards generally accepted in the United State of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the State of Maryland's Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

### **Investment Return Objectives, Risk Parameters and Strategies**

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well diversified asset mix, which includes equity and fixed income securities that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Foundation expects its endowment assets, over time, to achieve a total annual return equal to or greater than the consumer price index plus 4%, net of fees, with minimal downside risk over the long term. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 7. Endowment Funds (continued)

#### Spending Policy

The Foundation has established a spending policy that considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The policy allows for distributions made in coordination with the Foundation's annual budget. The Fund balance must always maintain, at a minimum, an amount equal to Foundation net assets which have been designated as "permanently restricted." In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment fund to grow at a rate that will exceed the consumer price index while generating a predictable stream of spendable income.

Endowment net asset composition by type of fund as of June 30, is as follows:

	<b>2016</b>		
	Board-designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 566,997	\$ 566,997
Board-designated endowment funds	2,274,469	-	2,274,469
Total funds	<u>\$ 2,274,469</u>	<u>\$ 566,997</u>	<u>\$ 2,841,466</u>

  

	<b>2015</b>		
	Board-designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 566,997	\$ 566,997
Board-designated endowment funds	2,296,800	-	2,296,800
Total funds	<u>\$ 2,296,800</u>	<u>\$ 566,997</u>	<u>\$ 2,863,797</u>

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 7. Endowment Funds (continued)

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

<b><u>Bequest - Board Designated Fund</u></b>	<u>2016</u>	<u>2015</u>
Beginning of year,		
Short-term bequest receivable (Unrestricted other)	\$ 120,000	\$ 125,270
Long-term bequest receivable (Board designated)	<u>2,296,800</u>	<u>2,258,674</u>
	2,416,800	2,383,944
Amortized bequest income	80,314	131,047
Amortized bequest distributions	<u>(99,176)</u>	<u>(98,191)</u>
	2,397,938	2,416,800
Appropriation of endowment assets for expenditure (Current bequest receivables, net of unamortized discount)	<u>(123,469)</u>	<u>(120,000)</u>
<b>Bequest endowment net assets, June 30</b>	<b><u>\$ 2,274,469</u></b>	<b><u>\$ 2,296,800</u></b>
	<u>2016</u>	<u>2015</u>
<b><u>Permanently Restricted Funds</u></b>		
Permanently restricted endowment net assets, beginning of year	\$ 566,997	\$ 566,997
Investment return:		
Net (depreciation) appreciation (realized and unrealized)	(7,609)	22,527
Investment income	<u>3,986</u>	<u>10,798</u>
Total investment income	(3,623)	33,325
Transfer from (to) temporarily restricted net assets	5,749	(27,482)
Investment fees	<u>(2,126)</u>	<u>(5,843)</u>
<b>Permanently restricted endowment     net assets, end of year</b>	<b><u>\$ 566,997</u></b>	<b><u>\$ 566,997</u></b>

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 8. Fixed Assets

Fixed assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Time share properties	\$ 117,320	\$ 117,320
Furniture and equipment	<u>49,458</u>	<u>49,458</u>
Total	166,778	166,778
Less accumulated depreciation	<u>68,636</u>	<u>58,919</u>
Net fixed assets	<u>\$ 98,142</u>	<u>\$ 107,859</u>

Depreciation expense was \$9,717 and \$10,297 for the years ended June 30, 2016 and 2015, respectively.

### 9. Special Events

The Foundation conducts numerous fundraising activities, including special social and educational events in which the attendees receive a direct benefit. Revenue received in advance of the event is recorded as deferred revenue. The revenues and expenses from these activities consist of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Revenues	\$ 521,751	\$ 863,772
Less direct benefit costs	<u>(418,553)</u>	<u>(249,562)</u>
Net support from special events fundraisers	<u>\$ 103,198</u>	<u>\$ 614,210</u>

### 10. Sharing of Public Support

In accordance with the policies of the National Kidney Foundation, Inc., twenty-five percent of unrestricted public support and membership dues is shared with National for support of national research and other service programs. The Foundation's revenue share payment was \$154,117 and \$213,296 for the years ended June 30, 2016 and 2015, respectively. The Foundation owed National \$85,303 and \$40,898 at June 30, 2016 and 2015, respectively, which is included in "accounts payable and accrued expenses" on the Statements of Financial Position.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 11. Net Assets

Net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
General (undesignated)	\$ 636,334	\$ 907,926
Board designated	<u>2,274,469</u>	<u>2,296,800</u>
	<u>2,910,803</u>	<u>3,204,726</u>
Temporarily restricted net assets:		
Transportation	-	16,959
Key Program	-	6,302
CNSW	-	3,707
CRN	-	1,417
Hewit Fund	<u>-</u>	<u>168</u>
	<u>-</u>	<u>28,553</u>
Permanently restricted net assets:		
Clauss Fund	500,000	500,000
Dr. Guild Fund	42,792	42,792
Gordon Trust	15,000	15,000
Pachino Fund	5,000	5,000
Weinstein Fund	3,515	3,515
Hewit Fund	500	500
Zimmerman Fund	<u>190</u>	<u>190</u>
	<u>566,997</u>	<u>566,997</u>
	<u>\$ 3,477,800</u>	<u>\$ 3,800,276</u>

Of the temporarily restricted net assets, contributions for Transportation must be used to provide transportation services for kidney patients. Investment income on the Dr. Guild Fund and Zimmerman Fund must be used for pediatric care and services. Contributions and investment income relating to the Hewit Fund must be used for renal research in Maryland. Membership dues and program fees for CNSW and CRN are restricted for educational program initiatives provided by the local chapters of the Council of Nephrology Social Workers (CNSW) and Council on Renal Nutrition (CRN). Contributions for Beyond Dialysis were used for the Beyond Dialysis program which provides transportation and a catered luncheon for dialysis patients.

# National Kidney Foundation of Maryland, Inc.

## Notes to Financial Statements

For the years ended June 30, 2016

### 11. Net Assets (continued)

Income from permanently restricted net assets must be used for pediatric care and kidney research, except for income from the Clauss fund which must be used for clinical research, community awareness, patient assistance and education.

### 12. Commitments

On December 1, 2011, the Foundation entered into an operating lease agreement for office space through January 31, 2017. The annual base rent under this agreement is \$65,953, with a 3% escalation clause per year. The lease agreement includes an option to renew for an additional five year term at prevailing market rates at the time of renewal. This lease is expensed on the straight-line basis over the life of the lease. The deferred rent liability of \$3,768 and \$8,966 at June 30, 2016 and 2015, respectively, is included within "Accounts payable and accrued expenses" on the Statement of Financial Position. The lease also includes provisions for additional payments to cover basic operating and maintenance charges. Rent and other operating costs under this lease agreement totaled \$69,894 and \$67,771 for the years ended June 30, 2016 and 2015, respectively.

During January 2014, the Foundation entered into a non-cancelable, four year operating lease agreement for office equipment. The lease requires minimum monthly payments of \$620. Fees for equipment rental totaled \$7,989 and \$7,440 for the years ended June 30, 2016 and 2015, respectively.

During April 2011, the Foundation entered into a contract for its managed network and shared hosting services. The term of the agreement is three years and required an initial installation and set up fee of \$3,000 plus requiring monthly payments of \$900. The agreement renewed in April 2014 and will automatically renew for an additional three year term after the initial three year term, unless the Foundation provides written notice 60 days prior to the end of the contract term. The Foundation may cancel this agreement with 30 days written notice, subject to a cancellation fee equal to a percentage of future fees remaining in the contract term. The fees for this service totaled \$10,800 for each of the years ended June 30, 2016 and 2015.

Future minimum lease payments under these operating leases are as follows:

For the Years	
<u>Ending June 30,</u>	<u>Amount</u>
2017	\$ 58,841
2018	<u>3,720</u>
Total	<u>\$ 62,561</u>

# **National Kidney Foundation of Maryland, Inc.**

## **Notes to Financial Statements**

For the years ended June 30, 2016

### **12. Commitments (continued)**

The Foundation received database management support services under a quarterly renewing service contract. The contract was terminated in June 2016. The fee for this service was \$9,011 and \$14,687 for the years ended June 30, 2016 and 2015, respectively.

The Foundation entered into a new database management support services agreement on December 5, 2014. The agreement calls for monthly payments of \$2,150 starting in June 2016 and terminates in June 2019.

### **13. Donated Goods and Services**

Donated materials, equipment, and property are reflected as contributions in the accompanying Statements of Activities at their estimated fair value at the date of receipt. In accordance with GAAP, the Foundation records only the value of contributed services that require specialized skills that create or enhance a non-financial asset, are provided by individuals possessing those skills or licenses, and for which the Foundation would need to purchase if the services were not donated. The Foundation recorded donated materials and services revenue and related expense of \$292,685 and \$-0- for the years ended June 30, 2016 and 2015, respectively.

A large number of volunteers have given significant amounts of their time to the Foundation's programs, fund-raising campaigns and management. The Foundation is covered under National's automobile and liability insurance policy for special events. Those amounts are not reflected in these financial statements.

### **14. Retirement Plan**

The Foundation sponsors a qualified retirement plan covering substantially all of its employees. Employees can make voluntary contributions to the Plan. The Foundation will match a percentage (2% for the years ended June 30, 2016 and 2015), determined annually, of eligible employees' salaries. It is the Foundation's policy to fund retirement contributions as accrued. Participants in the Plan must meet certain eligibility requirements as described in the Plan. Retirement expense, which is included in "employee benefits" in the Statements of Functional Expenses, amounted to \$839 and \$7,098 for the years ended June 30, 2016 and 2015, respectively.

### **15. Subsequent Events**

Effective August 10, 2016, the Foundation amended its lease agreement. The amended agreement modified the leased premises and extended the term until April 2022.

Subsequent events were evaluated through September 15, 2016, the date the financial statements were available to be issued. Except for the aforementioned event, there are no further subsequent events requiring disclosure.