

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

Audited Financial Statements

June 30, 2017 and 2016

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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, 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 Maryland, Inc. as of June 30, 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.

Basis of Accounting

As described in Note 2, the Foundation's policy is to prepare its financial statements on the liquidation basis of accounting. Our opinion is not modified in respect to that matter.

Correction of Error

As discussed in Note 16 to the financial statements, certain errors resulting in the overstatement of amounts previously reported as unrestricted restricted net assets and receivables, were discovered during the current year. Accordingly, amounts reported for the receivables, beneficial interest in perpetual trust and net assets have been restated in the 2016 financial statements now presented, and an adjustment has been made to net assets at July 1, 2015, to correct the error. Our opinion is not modified with respect to that matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of special events on page 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

McLean, Koehler, Sparks & Hammond

Frederick, MD
September 21, 2017

National Kidney Foundation of Maryland, Inc.

Statements of Financial Position

June 30,	<u>2017</u>	(Restated) <u>2016</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 36,342	\$ 135,745
Restricted cash and cash equivalents - Council on Renal Nutrition	680	1,568
Restricted cash and cash equivalents - Council of Nephrology		
Social Workers	1,920	3,920
Accounts receivable	26,029	52,305
Prepaid expenses	<u>12,792</u>	<u>18,942</u>
Total current assets	<u>77,763</u>	<u>212,480</u>
Investments	<u>599,766</u>	<u>915,276</u>
Fixed Assets, at cost	97,995	166,778
Less accumulated depreciation	<u>33,585</u>	<u>68,636</u>
Fixed assets, net	<u>64,410</u>	<u>98,142</u>
Other Assets:		
Computer software, net	46,444	61,925
Cash surrender value of life insurance (face value - \$25,000)	6,461	5,779
Beneficial interest in perpetual trust	<u>2,155,644</u>	<u>2,070,288</u>
Total other assets	<u>2,208,549</u>	<u>2,137,992</u>
Total Assets	<u>\$ 2,950,488</u>	<u>\$3,363,890</u>

	<u>2017</u>	(Restated) <u>2016</u>
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of note payable	\$ 25,603	\$ 25,802
Due to headquarters	168,307	85,303
Funds held for other organizations	2,600	5,488
Accounts payable and accrued expenses	45,896	44,595
Deferred revenue	<u>35,362</u>	<u>26,750</u>
Total current liabilities	277,768	187,938
Other Liabilities - Long-term note payable	<u>-</u>	<u>25,802</u>
Total liabilities	<u>277,768</u>	<u>213,740</u>
Net Assets:		
Unrestricted	(49,921)	512,865
Permanently restricted	<u>2,722,641</u>	<u>2,637,285</u>
Total net assets	<u>2,672,720</u>	<u>3,150,150</u>
Total Liabilities and Net Assets	<u>\$ 2,950,488</u>	<u>\$ 3,363,890</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, 2017 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (Restated)	
	2017	2016			
Revenues					
Support from the public:					
Received directly:					
Contributions and grants	\$ 224,461	\$ 244,014	\$ -	\$ 468,475	\$ 781,826
Received indirectly:					
United and Federated Funds	14,913	-	-	14,913	10,014
Combined Federal Campaign	2,909	19,699	-	22,608	30,590
Special events fundraisers:					
Revenues	413,549	-	-	413,549	521,751
In-kind contributions	-	274,093	-	274,093	292,685
Less: direct benefit costs	401,004	-	-	401,004	418,553
Net support from special events fundraisers	12,545	274,093	-	286,638	395,883
Total support from the public	254,828	537,806	-	792,634	1,218,313
Other revenue (loss):					
Seminars and dues	-	14,192	-	14,192	1,074
Investment (loss) income	7,987	6,502	-	14,489	(33,695)
Net gain (loss) on beneficial interest in perpetual trust	-	-	85,356	85,356	(112,469)
Impairment loss on fixed assets	(26,962)	-	-	(26,962)	-
Loss on disposal of fixed assets	(4,013)	-	-	(4,013)	-
Donated vehicles:					
Sales of donated vehicles	141,575	-	-	141,575	143,581
Less: cost of sales and selling expenses	175,269	-	-	175,269	174,639
Loss on sales of donated vehicles	(33,694)	-	-	(33,694)	(31,058)
Total other revenue (loss)	(56,682)	20,694	85,356	49,368	(176,148)
Net assets released from restriction - satisfaction of program restrictions	558,500	(558,500)	-	-	-
Total revenues, gains and other support	756,646	-	85,356	842,002	1,042,165
Expenses					
Program services:					
Research	132,897	-	-	132,897	164,490
Public education	124,376	-	-	124,376	151,682
Professional education	102,302	-	-	102,302	125,452
Patient services	320,739	-	-	320,739	349,793
Community services	185,442	-	-	185,442	205,738
Total program services	865,756	-	-	865,756	997,155
Supporting services:					
Fundraising	255,446	-	-	255,446	278,472
Management and general	198,230	-	-	198,230	182,621
Total supporting services	453,676	-	-	453,676	461,093
Total expenses	1,319,432	-	-	1,319,432	1,458,248
Change in net assets	(562,786)	-	85,356	(477,430)	(416,083)
Net assets at beginning of year, as restated	512,865	-	2,637,285	3,150,150	3,566,233
Net assets at end of year	\$ (49,921)	\$ -	\$ 2,722,641	\$ 2,672,720	\$ 3,150,150

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 (restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Support from the public:				
Received directly:				
Contributions and grants	\$ 328,474	\$ 453,352	\$ -	\$ 781,826
Received indirectly:				
United and Federated Funds	10,014	-	-	10,014
Combined Federal Campaign	11,078	19,512	-	30,590
Special events fundraisers:				
Revenues	521,751	-	-	521,751
In-kind contributions	-	292,685	-	292,685
Less: direct benefit costs	<u>418,553</u>	<u>-</u>	<u>-</u>	<u>418,553</u>
Net support from special events fundraisers	<u>103,198</u>	<u>292,685</u>	<u>-</u>	<u>395,883</u>
Total support from the public	<u>452,764</u>	<u>765,549</u>	<u>-</u>	<u>1,218,313</u>
Other revenue (loss):				
Seminars and dues	125	949	-	1,074
Investment loss	(25,885)	(7,810)	-	(33,695)
Net gain (loss) on beneficial interest in perpetual trust	-	-	(112,469)	(112,469)
Loss on disposal of fixed assets	-	-	-	-
Donated vehicles:				
Sales of donated vehicles	143,581	-	-	143,581
Less: cost of sales and selling expenses	<u>174,639</u>	<u>-</u>	<u>-</u>	<u>174,639</u>
Loss on sales of donated vehicles	<u>(31,058)</u>	<u>-</u>	<u>-</u>	<u>(31,058)</u>
Total other loss	(56,818)	(6,861)	(112,469)	(176,148)
Net assets released from restriction - satisfaction of program restrictions	<u>787,241</u>	<u>(787,241)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,183,187</u>	<u>(28,553)</u>	<u>(112,469)</u>	<u>1,042,165</u>
Expenses				
Program services:				
Research	164,490	-	-	164,490
Public education	151,682	-	-	151,682
Professional education	125,452	-	-	125,452
Patient services	349,793	-	-	349,793
Community services	<u>205,738</u>	<u>-</u>	<u>-</u>	<u>205,738</u>
Total program services	<u>997,155</u>	<u>-</u>	<u>-</u>	<u>997,155</u>
Supporting services:				
Fundraising	278,472	-	-	278,472
Management and general	<u>182,621</u>	<u>-</u>	<u>-</u>	<u>182,621</u>
Total supporting services	<u>461,093</u>	<u>-</u>	<u>-</u>	<u>461,093</u>
Total expenses	<u>1,458,248</u>	<u>-</u>	<u>-</u>	<u>1,458,248</u>
Change in net assets	(275,061)	(28,553)	(112,469)	(416,083)
Net assets at beginning of year, as previously stated	3,204,726	28,553	566,997	3,800,276
Reclassification of bequest	<u>(2,416,800)</u>	<u>-</u>	<u>2,182,757</u>	<u>(234,043)</u>
Net assets, beginning of year, as restated	<u>787,926</u>	<u>28,553</u>	<u>2,749,754</u>	<u>3,566,233</u>
Net assets at end of year, as restated	<u>\$ 512,865</u>	<u>\$ -</u>	<u>\$ 2,637,285</u>	<u>\$ 3,150,150</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, 2017 (with comparative totals for 2016)

	Program Services				
	Research	Public Education	Professional Education	Patient Services	Community Services
Salaries	\$ 25,012	\$ 50,026	\$ 25,013	\$ 143,825	\$ 93,799
Payroll taxes	1,908	3,815	1,907	10,968	7,153
Employee benefits	2,783	5,563	2,782	15,995	10,431
In-kind gift expense	-	-	-	-	-
Donated vehicles cost of sales	-	-	-	-	-
Revenue share payment to National *	3,516	13,772	38,981	13,875	32,037
Direct benefit costs	-	-	-	-	-
Direct assistance to patients	-	-	-	91,721	5,497
Professional fees and contract services	6,482	20,314	6,484	9,509	7,792
Awards and grants	71,738	-	-	-	-
Building occupancy	8,204	8,529	8,529	12,509	10,235
Donated vehicles service providers	-	-	-	-	-
Office supplies and expenses	5,961	8,545	3,528	5,143	5,236
Meetings and travel	569	6,945	8,300	7,363	4,001
Depreciation and amortization	3,419	3,420	3,420	5,016	4,104
Telephone and fax	1,862	1,863	1,863	2,732	2,304
Insurance	723	723	723	1,061	868
Printing and publications	269	269	321	394	1,154
Postage and shipping	208	224	208	272	389
Subscriptions and publications	243	368	243	356	442
Total expenses	<u>132,897</u>	<u>124,376</u>	<u>102,302</u>	<u>320,739</u>	<u>185,442</u>
Less direct expenses netted with revenue on statement of activities:					
Direct benefit costs/ in-kind gift expense	-	-	-	-	-
Donated vehicles cost of sales/ selling expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses reported by function	<u>\$ 132,897</u>	<u>\$ 124,376</u>	<u>\$ 102,302</u>	<u>\$ 320,739</u>	<u>\$ 185,442</u>
FY 17 percentages after deducting direct expenses of special events	10.1%	9.4%	7.8%	24.3%	14.1%
FY 16 percentages after deducting direct expenses of special events	11.3%	10.4%	8.6%	24.0%	14.1%

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

Supporting Services					
<u>Sub-Total</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Sub-Total</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
\$ 337,675	\$ 156,331	\$ 131,318	\$ 287,649	\$ 625,324	\$ 661,460
25,751	11,921	10,014	21,935	47,686	56,414
37,554	17,386	14,604	31,990	69,544	51,950
-	274,093	-	274,093	274,093	292,685
-	-	141,575	141,575	141,575	143,581
102,181	12,117	14,055	26,172	128,353	154,118
-	126,911	-	126,911	126,911	125,868
97,218	-	-	-	97,218	138,909
50,581	27,759	3,703	31,462	82,043	93,811
71,738	-	-	-	71,738	93,917
48,006	5,686	2,843	8,529	56,535	69,894
-	10,477	33,694	44,171	44,171	40,478
28,413	3,004	9,774	12,778	41,191	26,659
27,178	2,593	7,546	10,139	37,317	34,304
19,379	2,280	1,140	3,420	22,799	25,198
10,624	1,242	620	1,862	12,486	14,132
4,098	482	241	723	4,821	11,065
2,407	2,174	90	2,264	4,671	9,591
1,301	1,127	1,202	2,329	3,630	4,273
1,652	867	1,080	1,947	3,599	3,133
<u>865,756</u>	<u>656,450</u>	<u>373,499</u>	<u>1,029,949</u>	<u>1,895,705</u>	<u>2,051,440</u>
-	(401,004)	-	(401,004)	(401,004)	(418,553)
<u>-</u>	<u>-</u>	<u>(175,269)</u>	<u>(175,269)</u>	<u>(175,269)</u>	<u>(174,639)</u>
<u>\$ 865,756</u>	<u>\$ 255,446</u>	<u>\$ 198,230</u>	<u>\$ 453,676</u>	<u>\$ 1,319,432</u>	<u>\$ 1,458,248</u>
65.6%	19.4%	15.0%	34.4%	100.0%	
68.4%	19.1%	12.5%	31.6%		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, 2016 (restated)

	Program Services				
		Public	Professional	Patient	Community
	Research	Education	Education	Services	Services
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>
Percentage of total functional expenses	11.3%	10.4%	8.6%	24.0%	14.1%

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

Supporting Services

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

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>2017</u>	(Restated) <u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (477,430)	\$ (416,083)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	22,799	25,198
Impairment loss on fixed assets	26,962	-
Loss on disposal of fixed assets	4,013	-
Realized gain on sale of investments	(6,867)	(30,302)
Unrealized loss on investments	-	75,062
Net (gain) loss on beneficial interest in perpetual trust	(85,356)	112,469
Donation of vehicles	(141,575)	(143,581)
Proceeds from the disposition of donated vehicles	141,575	143,581
Decrease (increase) in:		
Accounts receivable	26,276	61,717
Prepaid expenses	6,150	(452)
Cash surrender value of life insurance	(682)	(691)
Increase (decrease) in:		
Due to headquarters	83,004	44,405
Funds held for other organizations	(2,888)	79
Accounts payable and accrued expenses	1,301	3,917
Deferred revenue	8,612	(28,796)
Net cash used in operating activities	<u>(394,106)</u>	<u>(153,477)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(4,561)	-
Purchase of investments	(1,193,447)	(597,654)
Proceeds from sale of investments	1,515,824	836,710
Net cash provided by investing activities	<u>317,816</u>	<u>239,056</u>
Cash flows used in financing activities-		
Principal payments on long-term debt	<u>(26,001)</u>	<u>(25,802)</u>
Net (decrease) increase in cash and cash equivalents	\$ (102,291)	\$ 59,777
Cash and cash equivalents, beginning of year	<u>141,233</u>	<u>81,456</u>
Cash and cash equivalents, end of year	<u>\$ 38,942</u>	<u>\$ 141,233</u>

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, 2017 and 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

These financial statements are presented on the accrual basis of accounting. Effective June 15, 2017, the Board of Directors of the Foundation resolved to dissolve the Foundation. Upon dissolution, the Foundation will transfer and assign to National Kidney Foundation, Inc. all mutually agreed upon liabilities and assets of the Foundation used in its operations, including contracts as of August 31, 2017. Thus, the Foundation’s Board of Directors will, upon liquidation at August 31, 2017, revalue its assets and liabilities to the amounts expected to be collected and paid during the liquidation.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 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, 2017 and 2016, the Foundation had \$-0- of cash balances, in excess of the FDIC limits. At June 30, 2017 and 2016, the Foundation's money market funds of \$599,766 and \$145,947, 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, 2017 and 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, 2017 and 2016.

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, 2017 and 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 currently has no level three investments.

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 years ended June 30, 2017 and 2016.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 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, 2017 and 2016.

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, 2017 and 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, 2017 and 2016 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 2014.

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, at times, 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, 2017 and 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 \$9,716 and \$9,111 for the years ended June 30, 2017 and 2016, respectively.

3. Investments

Investments consist of the following at June 30:

2017

	<u>Cost</u>	<u>Net Unrealized Appreciation</u>	<u>Fair Value</u>
Money market funds	\$ 599,766	\$ -	\$ 599,766

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

3. Investments (continued)

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
Mortgage and asset backed 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>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>2017</u>			
Interest and dividends	\$ 8,088	\$ 4,167	\$ 12,255
Realized gain on sale of investments	4,532	2,335	6,867
Investment fees	<u>(4,633)</u>	<u>-</u>	<u>(4,633)</u>
Total	<u>\$ 7,987</u>	<u>\$ 6,502</u>	<u>\$ 14,489</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>2016</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>

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

3. Investments (continued)

There were no investments in a loss position at June 30, 2017, because they were all invested in money market funds. The following schedule summarizes investments in the portfolio that were in a loss position at June 30, 2016:

<u>2016</u>	<u>Less than 12 months</u>		<u>More than 12 months</u>		<u>Total</u>	
	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>	<u>Fair</u> <u>Value</u>	<u>Unrealized</u> <u>Loss</u>
Bonds and other fixed income	\$ -	\$ -	\$ 20,768	\$ (1,375)	\$ 20,768	\$ (1,375)
Equities and equity mutual funds	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>

An investment could be considered impaired if its fair value is less than its cost basis. At June 30, 2016, management felt that all of the investment portfolio unrealized losses were temporary.

4. Accounts Receivable

Accounts are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Accounts receivable:		
Pledges receivable	\$ 6,662	\$ 7,015
Other	19,367	45,290
Total accounts receivable	<u>\$ 26,029</u>	<u>\$ 52,305</u>

5. Beneficial Interest in a Perpetual Trust

The Foundation is a beneficiary of a trust created by a donor, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such assets, including the right to income from the trust. Net unrealized gains (loss) related to the beneficial interest is reported as a change in permanently restricted net assets based on explicit donor stipulations.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

5. Beneficial Interest in a Perpetual Trust (continued)

The Foundation will receive quarterly income distributions for a period of 50 years, beginning December 25, 2003, from the Trust. During the years ended June 30, 2017 and 2016, the Foundation recorded \$90,680 and \$80,530 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. The quarterly distributions received are to be used at the discretion of the Foundation and therefore are recorded as unrestricted income when received.

6. 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 through its maturity in June 2018. The note is an interest free note, and payments required during 2017 and 2016 totaled \$26,001 and \$25,802, respectively. The future maturities of the note are as follows: fiscal year 2018 - \$25,603.

7. Fair Value Measurements

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

<u>2017</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	<u>\$ 599,766</u>	<u>\$ 599,766</u>

<u>2016</u>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	<u>\$ 915,276</u>	<u>\$ 915,276</u>

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

8. Endowment Funds

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.

The Foundation's endowment within Investments 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 had adopted an investment policy, approved by the Board of Directors, for endowment assets that attempted 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. In 2016, the Endowment assets were invested in a well diversified asset mix, which included equity and fixed income securities that were 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 expected 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.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

8. Endowment Funds (continued)

Investment Return Objectives, Risk Parameters and Strategies (continued)

Actual returns in any given year may vary from this amount. Investment risk was measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies were managed to not expose the fund to unacceptable levels of risk. The investment policies related to the Foundation's beneficial interest in a perpetual trust are determined by the trustees of the perpetual trust rather than the Foundation. See Note 5.

In January 2017, the Board of Directors resolved to suspend the above mentioned investment policy and move all funds to cash or cash equivalents.

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:

	2017		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 566,997</u>	<u>\$ 566,997</u>

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

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

8. Endowment Funds (continued)

Spending Policy (continued)

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

<u>Permanently Restricted Funds</u>	<u>2017</u>	<u>2016</u>
Permanently restricted endowment net assets, beginning of year	\$ 566,997	\$ 566,997
Investment return:		
Net (depreciation) appreciation (realized and unrealized)	1,167	22,527
Investment income	<u>2,083</u>	<u>10,798</u>
Total investment income	3,250	33,325
Transfer from (to) temporarily restricted net assets	(2,462)	(27,482)
Investment fees	<u>(788)</u>	<u>(5,843)</u>
 Permanently restricted endowment net assets, end of year	 <u>\$ 566,997</u>	 <u>\$ 566,997</u>

9. Fixed Assets

Fixed assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Time share properties	\$ 51,500	\$ 117,320
Furniture and equipment	<u>46,495</u>	<u>49,458</u>
Total	97,995	166,778
Less accumulated depreciation	<u>33,585</u>	<u>68,636</u>
Net fixed assets	<u>\$ 64,410</u>	<u>\$ 98,142</u>

Depreciation expense was \$22,799 and \$9,717 for the years ended June 30, 2017 and 2016, respectively.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

9. Fixed Assets (continued)

During the year ended June 30, 2017, it was determined that there was a permanent impairment of the value of the time share properties held by the Foundation. As a result, the fair value of the assets were written down at that time to represent the current fair value and an impairment loss of \$26,962 was recorded on the Statements of Activities.

10. 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>2017</u>	<u>2016</u>
Revenues	\$ 413,549	\$ 521,751
Less direct benefit costs	<u>(401,004)</u>	<u>(418,553)</u>
Net support from special events fundraisers	<u>\$ 12,545</u>	<u>\$ 103,198</u>

11. Sharing of Public Support

In accordance with the policies of the National Kidney Foundation, Inc., up to 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 amount was \$128,353 and \$154,117 for the years ended June 30, 2017 and 2016, respectively. The Foundation owed National \$168,307 and \$85,303 at June 30, 2017 and 2016, respectively, which is included in "accounts payable and accrued expenses" on the Statements of Financial Position. These amounts are not anticipated to be paid as they will be assumed upon dissolution of the Foundation.

12. Net Assets

Net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
General (undesignated)	<u>\$ (49,921)</u>	<u>\$ 512,865</u>

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

12. Net Assets (continued)

Permanently restricted net assets:

Langenfelder Beneficial interest in Trust	2,155,644	2,070,288
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	190	190
	<u>2,722,641</u>	<u>2,637,285</u>
	<u>\$ 2,672,720</u>	<u>\$ 3,150,150</u>

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.

Income from permanently restricted net assets except for the Beneficial interest in Trust and the Clauss Fund must be used for pediatric care and kidney research. Income from the Clauss fund must be used for clinical research, community awareness, patient assistance and education.

13. 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 was \$65,953, with a 3% escalation clause per year. Effective August 10, 2016, this lease was amended. The annual base rent under the amendment was revised to \$53,280, with a 3% escalation clause per year. The lease will terminate in April 2022. This lease is expensed on the straight-line basis over the life of the lease. The deferred rent liability of \$3,253 and \$3,768 at June 30, 2017 and 2016, 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 \$56,535 and \$69,894 for the years ended June 30, 2017 and 2016, respectively.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

13. Commitments (continued)

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. During May 2017, the Foundation entered into a new non-cancelable, five year operating lease agreement for office equipment which replaces the existing agreement. The lease requires minimum monthly payments of \$644. Fees for equipment rental totaled \$8,280 and \$7,989 for the years ended June 30, 2017 and 2016, 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, which was then reduced to \$500. 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 \$9,200 and \$10,800 for the years ended June 30, 2017 and 2016, respectively.

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

For the Years	
<u>Ending June 30,</u>	<u>Amount</u>
2018	\$ 54,612
2019	56,250
2020	57,938
2021	59,676
2022	<u>51,164</u>
Total	<u>\$ 279,640</u>

The Foundation received database management support services under a quarterly renewing service contract. The contract was terminated in June 2016 and the Foundation continues to use these services on a month to month basis with no signed agreement. The fee for this service was \$9,606 and \$9,011 for the years ended June 30, 2017 and 2016, respectively.

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

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

14. 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 \$274,093 and \$292,685 for the years ended June 30, 2017 and 2016, 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.

15. 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, 2017 and 2016), 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 \$5,607 and \$839 for the years ended June 30, 2017 and 2016, respectively.

16. Restatement

During fiscal year 2017, management identified an error in the presentation of the Langenfelder Trust in past years. At the time that the Foundation was notified of their interest in the trust, it was determined that these funds should be classified as an unrestricted bequest receivable and as part of unrestricted net assets. However, upon further review of the last will and testament, it was determined that this should have been treated as a beneficial interest in a perpetual trust with a corresponding increase in permanently restricted net assets. Therefore, a restatement was made to reduce the July 1, 2015 beginning balance of unrestricted net assets by \$2,416,800 to remove the previously amortized value of the bequest receivable and increase the permanently restricted net assets for one-sixth the value of the fair market value of the beneficial interest in the perpetual trust, resulting in an overall decrease in net assets at July 1, 2015 of \$234,043 as shown hereafter.

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

16. Restatement (continued)

	<u>Previous Amounts</u>	<u>Revision</u>	<u>Restated Amounts</u>
<u>At July 1, 2015</u>			
Net assets:			
General (undesignated)	\$ 907,926	\$ (120,000)	\$ 787,926
Board designated	<u>2,296,800</u>	<u>(2,296,800)</u>	<u>-</u>
Total unrestricted	3,204,726	(2,416,800)	787,926
Temporarily restricted net assets	28,553	-	28,553
Permanently restricted	<u>566,997</u>	<u>2,182,757</u>	<u>2,749,754</u>
Total net assets	<u>\$ 3,800,276</u>	<u>\$ (234,043)</u>	<u>\$ 3,566,233</u>

Similar changes made to the Statement of Changes in Net Assets for the year ended June 30, 2016 resulted in the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Previous Amounts at June 30, 2016</u>				
Revenue	\$ 1,164,325	\$ (28,553)	\$ -	\$ 1,135,772
Expenses	<u>1,458,248</u>	<u>-</u>	<u>-</u>	<u>1,458,248</u>
Change in net assets	<u>\$ (293,923)</u>	<u>\$ (28,553)</u>	<u>\$ -</u>	<u>\$ (322,476)</u>
<u>Revisions</u>				
Revenue	\$ 18,862	\$ -	\$ (112,469)	\$ (93,607)
Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 18,862</u>	<u>\$ -</u>	<u>\$ (112,469)</u>	<u>\$ (93,607)</u>
<u>Restated Amounts at June 30, 2016</u>				
Revenue	\$ 1,183,187	\$ (28,553)	\$ (112,469)	\$ 1,042,165
Expenses	<u>1,458,248</u>	<u>-</u>	<u>-</u>	<u>1,458,248</u>
Change in net assets	<u>\$ (275,061)</u>	<u>\$ (28,553)</u>	<u>\$ (112,469)</u>	<u>\$ (416,083)</u>

National Kidney Foundation of Maryland, Inc.

Notes to Financial Statements

For the years ended June 30, 2017 and 2016

16. Restatement (continued)

Similar changes to the Statement of Financial Position at June 30, 2016 resulted in the following:

	Previous <u>Amounts</u>	<u>Revision</u>	Restated <u>Amounts</u>
Current assets except current bequest receivable	\$ 212,480	\$ -	\$ 212,480
Current bequest receivable, net	123,469	(123,469)	-
Investments	915,276	-	915,276
Fixed assets, net	98,142	-	98,142
Other assets except long-term bequest receivable	67,704	-	67,704
Beneficial interest in perpetual trust	-	2,070,288	2,070,288
Long-term bequest receivable, net	<u>2,274,469</u>	<u>(2,274,469)</u>	<u>-</u>
Total Assets	<u>\$ 3,691,540</u>	<u>\$ (327,650)</u>	<u>\$ 3,363,890</u>
Total liabilities	\$ 213,740	\$ -	\$ 213,740
Net assets:			
General (undesignated)	636,334	(123,469)	512,865
Board designated	<u>2,274,469</u>	<u>(2,274,469)</u>	<u>-</u>
Total unrestricted	2,910,803	(2,397,938)	512,865
Permanently restricted	<u>566,997</u>	<u>2,070,288</u>	<u>2,637,285</u>
Total net assets	<u>3,477,800</u>	<u>(327,650)</u>	<u>3,150,150</u>
Total liabilities and net assets	<u>\$ 3,691,540</u>	<u>\$ (327,650)</u>	<u>\$ 3,363,890</u>

17. Subsequent Events

Effective June 15, 2017, the Board of Directors of the Foundation resolved to dissolve the Foundation. The dissolution is effective as of August 31, 2017. See further discussion in Note 2.

Subsequent events were evaluated through September 21, 2017, the date the financial statements were available to be issued. Except for the aforementioned event, there are no further subsequent events requiring disclosure.

Supplemental Information

National Kidney Foundation of Maryland, Inc.

Schedule of Special Events

For the years ended June 30, 2017 and 2016

<u>Special Event</u>	<u>Gross Income</u>		<u>Direct - Benefit Expenses *</u>		<u>Net Income (Loss)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Rappel	\$ 52,718	\$ 58,438	\$ 39,737	\$ 29,369	\$ 12,981	\$ 29,069
Golf	56,124	88,639	15,144	24,347	40,980	64,292
Kidney Walk	302,471	363,289	57,332	59,673	245,139	303,616
Others	<u>2,236</u>	<u>11,385</u>	<u>288,791</u>	<u>305,164</u>	<u>(286,555)</u>	<u>(293,779)</u>
Total	<u>\$ 413,549</u>	<u>\$ 521,751</u>	<u>\$ 401,004</u>	<u>\$ 418,553</u>	<u>\$ 12,545</u>	<u>\$ 103,198</u>

* These amounts do not include allocation of salaries expense.