



National **Kidney** Foundation®
of Indiana

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

TABLE OF CONTENTS

JUNE 30, 2020 AND 2019

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 19



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Kidney Foundation of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of National Kidney Foundation of Indiana, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 of 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 Indiana, Inc. as of June 30, 2020 and 2019, and the changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Ashley CPA Grogg".

October 2, 2020

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 561,888	\$ 585,092
Grants and accounts receivable	13,630	63,395
Prepaid expenses	6,950	32,980
Cash restricted for endowment funds	80,742	80,742
Property and equipment, net of accumulated depreciation of \$17,448 and \$19,950	299	1,507
Beneficial interest in assets held by others	<u>864,110</u>	<u>909,464</u>
	<u>\$ 1,527,619</u>	<u>\$ 1,673,180</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 11,647	\$ 36,011
Due to related party	16,633	93,842
Accrued expenses	15,861	14,592
Deferred revenue	147,100	14,000
Note payable	<u>55,800</u>	<u>-0-</u>
Total liabilities	<u>247,041</u>	<u>158,445</u>
Net Assets:		
Without donor restrictions	296,794	487,667
With donor restrictions	<u>983,784</u>	<u>1,027,068</u>
Total net assets	<u>1,280,578</u>	<u>1,514,735</u>
	<u>\$ 1,527,619</u>	<u>\$ 1,673,180</u>

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019 <u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and Revenue:				
Contributions:				
Contributions, grants, memorials, and bequests	\$ 341,841	\$ 17,000	\$ 358,841	\$ 366,154
Special events	213,003	18,000	231,003	656,233
Special events - in-kind	31,255	-0-	31,255	125,134
Less: costs of direct donor benefits	(137,171)	-0-	(137,171)	(324,578)
Net support from special events	107,087	18,000	125,087	456,789
Total contributions	448,928	35,000	483,928	822,943
Other revenue:				
Net change in beneficial interest in assets held by others	-0-	7,993	7,993	35,857
Other income	4,388	-0-	4,388	10,534
Loss on disposal of asset	(664)	-0-	(664)	-0-
Interest income	418	-0-	418	426
Total other support	4,142	7,993	12,135	46,817
Total support and revenue	453,070	42,993	496,063	869,760
Net Assets Released from Donor Restrictions	86,277	(86,277)	-0-	-0-
	539,347	(43,284)	496,063	869,760
Expenses:				
Program Services:				
Research	2,503	-0-	2,503	2,536
Public health education	147,779	-0-	147,779	131,245
Professional education	37,528	-0-	37,528	48,561
Patient services	103,902	-0-	103,902	123,132
Prevention services	106,547	-0-	106,547	94,899
Community services	139,395	-0-	139,395	115,965
Total program services	537,654	-0-	537,654	516,338
Fundraising	78,813	-0-	78,813	102,124
Management and general	41,900	-0-	41,900	30,543
Unallocated payments to related party	71,853	-0-	71,853	142,245
Total expenses	730,220	-0-	730,220	791,250
Change in net assets	(190,873)	(43,284)	(234,157)	78,510
Net Assets, Beginning of Year	487,667	1,027,068	1,514,735	1,436,225
Net Assets, End of Year	\$ 296,794	\$ 983,784	\$ 1,280,578	\$ 1,514,735

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Contributions:			
Contributions, grants, memorials and bequests	\$ 322,907	\$ 43,247	\$ 366,154
Special events	603,697	52,536	656,233
Special events - in-kind	125,134	-0-	125,134
Less: costs of direct donor benefits	<u>(324,578)</u>	<u>-0-</u>	<u>(324,578)</u>
Net support from special events	<u>404,253</u>	<u>52,536</u>	<u>456,789</u>
Total contributions	<u>727,160</u>	<u>95,783</u>	<u>822,943</u>
Other Revenue:			
Net change in beneficial interest in assets held by others	-0-	35,857	35,857
Other income	10,534	-0-	10,534
Interest income	<u>426</u>	<u>-0-</u>	<u>426</u>
Total other revenue	<u>10,960</u>	<u>35,857</u>	<u>46,817</u>
Total support and revenue	738,120	131,640	869,760
Net Assets Released from Donor Restrictions	<u>151,217</u>	<u>(151,217)</u>	<u>-0-</u>
	<u>889,337</u>	<u>(19,577)</u>	<u>869,760</u>
Expenses:			
Program Services:			
Research	2,536	-0-	2,536
Public health education	131,245	-0-	131,245
Professional education	48,561	-0-	48,561
Patient services	123,132	-0-	123,132
Prevention services	94,899	-0-	94,899
Community services	<u>115,965</u>	<u>-0-</u>	<u>115,965</u>
Total program services	516,338	-0-	516,338
Fundraising	102,124	-0-	102,124
Management and general	30,543	-0-	30,543
Unallocated payments to related party	<u>142,245</u>	<u>-0-</u>	<u>142,245</u>
Total expenses	<u>791,250</u>	<u>-0-</u>	<u>791,250</u>
Change in net assets	98,087	(19,577)	78,510
Net Assets, Beginning of Year	<u>389,580</u>	<u>1,046,645</u>	<u>1,436,225</u>
Net Assets, End of Year	<u>\$ 487,667</u>	<u>\$ 1,027,068</u>	<u>\$ 1,514,735</u>

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	Program Services						Fundraising	Management and General	Unallocated Payments to Related Party	2020 Total	2019 Total
	Research	Public Health Education	Professional Education	Patient Services	Prevention Services	Community Services					
Labor and benefits:											
Salaries	\$ 1,578	\$ 83,840	\$ 23,668	\$ 50,881	\$ 67,200	\$ 87,917	\$ 49,364	\$ 22,868	\$ -0-	\$ 387,316	\$ 328,366
Employee benefits and payroll taxes	389	20,676	5,837	12,548	16,572	21,682	12,174	5,640	-0-	95,518	66,790
Total labor and benefits	1,967	104,516	29,505	63,429	83,772	109,599	61,538	28,508	-0-	482,834	395,156
Other Expenses:											
Special events	-0-	-0-	665	-0-	-0-	-0-	136,506	-0-	-0-	137,171	324,578
Revenue share payment to related party	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	71,853	71,853	142,245
Assistance to patients	-0-	14,849	-0-	23,229	-0-	-0-	545	-0-	-0-	38,623	84,111
Occupancy and insurance	250	13,301	3,755	8,072	10,661	13,948	7,832	3,628	-0-	61,447	59,972
Professional fees and contract services	49	2,570	726	1,560	2,060	2,695	1,513	701	-0-	11,874	42,827
Office supplies and expenses	117	6,201	1,751	3,763	4,970	6,503	3,651	1,694	-0-	28,650	34,639
Meeting and travel	63	3,338	942	2,026	2,676	3,500	1,965	911	-0-	15,421	15,907
Dues and subscriptions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,394	-0-	1,394	1,077
Telephone	46	2,449	692	1,486	1,963	2,568	1,442	668	-0-	11,314	10,841
Printing, postage and shipping	9	458	129	278	367	480	270	124	-0-	2,115	2,120
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,201	-0-	1,201	1,151
Advertising	2	97	28	59	78	102	57	27	-0-	450	623
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	544	-0-	544	581
Bad debt expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,500	-0-	2,500	-0-
Total expenses and costs of direct donor benefits for special events	2,503	147,779	38,193	103,902	106,547	139,395	215,319	41,900	71,853	867,391	1,115,828
Less: costs of direct donor benefits for special events	-0-	-0-	(665)	-0-	-0-	-0-	(136,506)	-0-	-0-	(137,171)	(324,578)
Total expenses	\$ 2,503	\$ 147,779	\$ 37,528	\$ 103,902	\$ 106,547	\$ 139,395	\$ 78,813	\$ 41,900	\$ 71,853	\$ 730,220	\$ 791,250

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	Program Services						Fundraising	Management and General	Unallocated Payments to Related Party	Total
	Research	Public Health Education	Professional Education	Patient Services	Prevention Services	Community Services				
Labor and benefits:										
Salaries	\$ 1,482	\$ 65,371	\$ 28,369	\$ 50,804	\$ 55,440	\$ 67,745	\$ 42,954	\$ 16,201	\$ -0-	\$ 328,366
Employee benefits and payroll taxes	301	13,296	5,770	10,334	11,277	13,779	8,737	3,296	-0-	66,790
Total labor and benefits	1,783	78,667	34,139	61,138	66,717	81,524	51,691	19,497	-0-	395,156
Other Expenses:										
Special events	-0-	-0-	60	-0-	-0-	-0-	324,518	-0-	-0-	324,578
Revenue share payment to related party	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	142,245	142,245
Assistance to patients	-0-	19,346	-0-	36,168	-0-	-0-	28,597	-0-	-0-	84,111
Occupancy and insurance	271	11,939	5,181	9,279	10,125	12,373	7,845	2,959	-0-	59,972
Professional fees and contract services	193	8,526	3,700	6,626	7,231	8,836	5,602	2,113	-0-	42,827
Office supplies and expenses	156	6,896	2,993	5,359	5,848	7,147	4,531	1,709	-0-	34,639
Meeting and travel	72	3,167	1,374	2,461	2,685	3,282	2,081	785	-0-	15,907
Dues and subscriptions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,077	-0-	1,077
Telephone	49	2,158	937	1,677	1,830	2,237	1,418	535	-0-	10,841
Printing, postage and shipping	10	422	183	328	358	437	277	105	-0-	2,120
Miscellaneous	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,151	-0-	1,151
Advertising	2	124	54	96	105	129	82	31	-0-	623
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	581	-0-	581
Bad debt expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenses and costs of direct donor benefits for special events	2,536	131,245	48,621	123,132	94,899	115,965	426,642	30,543	142,245	1,115,828
Less: costs of direct donor benefits for special events	-0-	-0-	(60)	-0-	-0-	-0-	(324,518)	-0-	-0-	(324,578)
Total expenses	<u>\$ 2,536</u>	<u>\$ 131,245</u>	<u>\$ 48,561</u>	<u>\$ 123,132</u>	<u>\$ 94,899</u>	<u>\$ 115,965</u>	<u>\$ 102,124</u>	<u>\$ 30,543</u>	<u>\$ 142,245</u>	<u>\$ 791,250</u>

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (234,157)	\$ 78,510
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Allowance for doubtful accounts	-0-	(28,000)
Depreciation	544	581
Loss on disposal of asset	664	
Net change in beneficial interest in assets held by others	45,354	17,939
Changes in operating assets and liabilities:		
Grants and accounts receivable	49,765	27,182
Prepaid expenses	26,030	(30,597)
Accounts payable	(24,364)	(84,639)
Due to related party	(77,209)	34,439
Accrued expenses	1,269	5,977
Deferred revenue	<u>133,100</u>	<u>(2,000)</u>
Net cash provided by (used in) operating activities	(79,004)	19,392
Cash Flows from Financing Activities:		
Borrowings under note payable	<u>55,800</u>	<u>-0-</u>
Net increase (decrease)	(23,204)	19,392
Cash and Cash Equivalents, Beginning of Year	<u>585,092</u>	<u>565,700</u>
Cash and Cash Equivalents, End of Year	<u>\$ 561,888</u>	<u>\$ 585,092</u>

See accompanying Notes to Financial Statements.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

National Kidney Foundation of Indiana, Inc. (“NKFI” or the “Foundation”) is a local affiliate of the National Kidney Foundation, Inc. (“National”). NKFI is focused on providing education to the public for the prevention of kidney disease and support to those families affected by these diseases, throughout the state of Indiana.

The following are descriptions of the program services provided by NKFI:

Research in the form of grants are awarded for research projects conducted in Indiana relating to kidney disease and transplantation.

Public Health Education consists of workshops, health fairs, brochures, video production or any other educational projects or programs to educate the public on kidney diseases, urological diseases, diabetes, hypertension, organ and tissue donation or transplantation.

Professional Education are activities of the medical Advisory Board including the Stuart A. Kleit Symposium, Stuart A. Kleit Symposium Scholarships, the Indiana Council of Nephrology Social Workers (ICNSW), the Indiana Council of Renal Nutritionists (ICRN), the Physician Education Programs, workshops or programs developed for the continuing education of medical professionals, and funding for nephrology fellows.

Patient Services are provided for kidney and transplant patients including the Scholarship Program, advocacy, emergency services, and summer camp.

Prevention Services relate to the prevention of chronic kidney diseases, primarily through the Kidney Early Education Program (KEEP) screening program.

Community Services are provided as a collaborative effort with other community service organizations to improve programs and services to counties outside of central Indiana.

The significant accounting policies followed by NKFI in the preparation of its financial statements are summarized below:

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Basis of Presentation

Net assets, revenue and support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction is met, which is when a stipulated time has elapsed or a specific purpose has been fulfilled or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Primary estimates made in preparation of NKFI's financial statements include collectability of grants and accounts receivable, useful lives of property and equipment, and the classification of functional expenses.

Cash and cash equivalents

Cash and cash equivalents represent amounts held in checking, savings and money market accounts. All liquid investments with original maturity dates of three months or less are classified as cash equivalents. Cash and cash equivalents do not include cash restricted by donors for endowment funds.

Support and Revenue Recognition and Grants and Accounts Receivable

Support and revenues are reported as increases in net assets with or without donor restrictions based upon whether the donor has imposed any restrictions. Contributions and grants are recognized when the donor makes an unconditional promise to give to NKFI either in writing or verbally. Conditional promises to give are not included as support until the conditions are satisfied. Unconditional and conditional promises to give that are expected to be collected in future years are recorded at their net present value.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Revenues from NKFI's special events are recognized at the time the event occurs. Support and revenue received during the reporting period for special events occurring subsequent to the Statements of Financial Position date is reflected as deferred revenue.

Grants and accounts receivable consist of amounts that have been unconditionally promised or due from performance-based service contracts where the services have been performed. Grants receivable are supported by written grant agreements and are stated at the amount billed or expected to be collected. Accounts receivable represent amounts due from sponsorship and special events. NKFI, on a periodic basis, evaluates its grants and accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. There was no allowance for doubtful accounts as of June 30, 2020 and 2019.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value as of the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The lives of these assets range from 5 to 10 years.

Donated Services and Supplies

NKFI receives in-kind donations and contributions from various donors. Contributions of services are recognized at estimated fair market value if the services (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

Additionally, volunteers donate a significant amount of time to NKFI's programs at an undetermined fair value. These services are not reflected in the financial statements.

Functional Expenses

Expenses are functionally classified as Program Services, Fundraising, and Management and General. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by NKFI's personnel.

Income Taxes

NKFI is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Management of NKFI evaluates all significant tax positions to ensure compliance with the exempt purpose of the Foundation as required by U.S. GAAP, including consideration of any unrelated business income tax. As of June 30, 2020, Management does not believe NKFI has taken any tax positions that are not in compliance with the exempt purpose of the Foundation. NKFI's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended June 30, 2017.

Subsequent Events

Subsequent events have been evaluated through October 2, 2020, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

At June 30, 2020 and 2019, financial assets available for future general expenditures within one year from the date of the Statements of Financial Position consists of the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 561,888	\$ 585,092
Grants and accounts receivable	13,630	63,395
Cash restricted for endowment funds	80,742	80,742
Beneficial interest in assets held by others	<u>864,110</u>	<u>909,464</u>
	1,520,370	1,638,693
Amounts not available to be used for general expenditures within one year include donor restricted funds as follows:		
Specified purposes	38,932	(36,862)
Cash restricted for endowment funds	(80,742)	(80,742)
Beneficial interest in assets held by others	<u>(864,110)</u>	<u>(909,464)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 614,450</u>	<u>\$ 611,625</u>

Donor restrictions require resources to be used in a particular manner, held in perpetuity, or in a future period, and accordingly, NKFI must maintain sufficient resources to meet those responsibilities to its donors. Due to donor restrictions, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a practice to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

NKFI's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance long-term obligations will be paid as they come due.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

3. GRANTS AND ACCOUNTS RECEIVABLE

NKFI recognizes all material conditional and unconditional promises to give as support and revenue.

Grants and accounts receivable of \$13,630 and \$63,395 at June 30, 2020 and 2019, respectively, are due from various donors within one year.

4. FAIR VALUE MEASUREMENTS

U.S. GAAP provides a fair value hierarchy framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

The following is a description of the valuation methodology used by NKFI for assets measured at fair value as of June 30, 2020 and 2019. There has been no change in methodology used at June 30, 2020 and 2019.

Beneficial Interest in Perpetual Trust: Valued using the fair value of the assets in the trust, as provided by the trustee, unless there are facts and circumstances that indicate the fair value of the beneficial interest differs from the fair value of the assets held by the trust, in which case the present value of the estimated future cash flows would be used.

NKFI's beneficial interest in perpetual trust of \$864,110 and \$909,464 as of June 30, 2020 and 2019, respectively, are measured at fair value by Level 2 input criteria on a recurring basis within the fair value hierarchy.

The Foundation's accounting policy is to recognize transfers between levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers during 2020 and 2019.

5. ENDOWMENT FUNDS

NKFI's endowments consist of the following donor-designated endowment funds:

Kleit Endowment Fund: The Stuart A. Kleit Endowment was established in 1990 as a tribute to Dr. Kleit for his work related to kidney diseases. The endowment fund is governed and administered by three directors made up of Dr. Kleit (or his designee), an appointment lay member of the Board of Directors of the Foundation, and the chairman of the Medical Advisory Board. NKFI's Chief Executive Officer serves as staff liaison and ex officio member. The endowment committee is governed in its activities with written by-laws.

Up to 25% of the investment income of the endowment fund is restricted for use for physicians' education symposium and assistance to research fellows, in conjunction with Dr. Kleit's request. Any unspent income is to be added annually to the principal balance.

Caroline L. Oakes Perpetual Trust Fund: NKFI is the income beneficiary of a trust established in 1994 by Caroline L. Oakes. The income from this trust is distributed on a quarterly basis and is used for, but not limited to, the following expenses in Indiana: Scholarship Fund, Emergency Fund, Kidney Camp, Transplant Games, and research.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Spilman Endowment Fund: During 1993, NKFI received funds from Mrs. Eleanor Spilman for an endowment with the primary purpose of assisting persons suffering from kidney disease, and their families, but offsetting the costs associated with kidney dialysis and organ transplantation and the secondary purposes of making additional funds available for encouraging or promoting research and professional education related to the prevention, diagnosis, causes and treatment of kidney diseases.

The principal shall be maintained by the Foundation. No more than 90% of the endowment's income will be expended in one year and at least 10% of the endowment's income shall be added to the principal balance, plus any other income that has not been expended.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of NKFI has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation held in perpetuity: (a) the original value of gifts donated to the endowment; and (b) the original value of subsequent gifts to the endowments.

The remaining portion of the donor-restricted endowment funds that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by NKFI in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, NKFI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of NKFI;
- The investment policies of the Foundation.

Funds with Deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). NKFI has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2020, the Kleit and Spilman endowment funds with original gift values of \$80,742, had a fair value of \$80,628 resulting in deficiencies of (\$114), which were reported within net assets with donor restrictions.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Return Objectives and Risk Parameters

NKFI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Foundation while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NKFI must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the Kleit endowment funds should be growth focused and invested in mid-level risk mutual funds or stock portfolios. The Spilman endowment funds are intended to be income focused and are to be invested in mutual funds or specific equity securities.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NKFI targets a diversified asset allocation that places a greater emphasis on equity-based and mutual fund investments to achieve its long-term objectives within prudent risk constraints. As of June 30, 2020 and 2019, the Kleit and Spilman endowment principals are invested in money market accounts which NKFI's Board of Directors consider investment options that best fit each endowments' return objectives and risk parameters.

Spending Policy and How the Investment Objective Relates to Spending Policy

NKFI's Board of Directors has determined that, for the Kleit and Spilman endowments, 25% and 90% of investment income will be expended on the Kleit symposium and patient services, respectively. This is consistent with NKFI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. NKFI has not appropriated for expenditure any funds from the Kleit and Spilman endowments during the years ended June 30, 2020 and 2019.

6. NOTE PAYABLE

Effective May 6, 2020, the Foundation borrowed \$55,800 from a bank under the U.S. Small Business Administration's Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan may be forgiven if the Foundation maintains certain levels of employment and spends the funds on qualified expenditures during a specified period following the funding of the loan. The loan accrues interest at 1%, and no principal or interest payments are required for the first six months. To the extent the loan amount is not forgiven under the PPP, the remaining balance, if any, is to be repaid in equal monthly installments of principal and interest beginning December 6, 2020 and continuing through the maturity date, which is two years from the date of the note. This note may be prepaid in part, or in whole, at any time without penalty.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Future annual principal payments of the note payable as of June 30, 2020, assuming there is no forgiveness of the loan, are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 21,429
2022	34,371
	<u>\$ 55,800</u>

7. LEASES

NKFI has non-cancelable operating leases for office space and equipment requiring monthly payments aggregating \$4,870 and expiring at various dates through July 2025. Lease expense for the years ended June 30, 2020 and 2019 was \$58,398 and \$57,596, respectively.

Future minimum annual lease payments due under the terms of operating leases are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 58,872
2022	58,040
2023	55,638
2024	28,740
2025	1,440
Thereafter	120
	<u>\$ 202,850</u>

8. RETIREMENT PLAN

NKFI has a 401(k) profit-sharing plan and trust for its employees. The plan covers all employees of the Foundation who have completed one year of employment. Employees may make contributions, not to exceed the maximum amount allowed by the Internal Revenue Service, with an elective matching or discretionary contribution by NKFI. The Foundation's plan contributions were \$7,126 and \$8,059 for the years ended June 30, 2020 and 2019, respectively.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or must be held indefinitely at June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Kidney Camp	\$ 27,894	\$ 23,439
Emergency needs of patients on dialysis in Vigo County	11,038	12,612
Emergency needs of kidney patients	-0-	811
Endowments:		
Held in perpetuity	80,742	80,742
Beneficial interest in assets held by others	<u>864,110</u>	<u>909,464</u>
	<u>\$ 983,784</u>	<u>\$ 1,027,068</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor. Donor restricted funds of \$86,277 and \$151,217 were released from donor restrictions during the years ended June 30, 2020 and 2019, respectively.

10. RELATED PARTY TRANSACTIONS

As a member of National, NKFI is required to remit twenty-five (25) percent of its annual income, subject to predetermined exceptions, to National. For the years ended June 30, 2020 and 2019, the total amount remitted to National was \$71,853 and \$142,245, respectively.

There was no amount due to NKFI from National as of June 30, 2020 and 2019. The Foundation had an account payable to National at June 30, 2020 and 2019 of \$16,633 and \$93,842, respectively.

For the years ended June 30, 2020 and 2019, total contributions of \$20,275 and \$13,654, respectively, were received from members or NKFI's Board of Directors and employees.

NATIONAL KIDNEY FOUNDATION OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

11. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

NKFI maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fundraising Events

NKFI is supported by contributions from the public, with four fundraising walks in different regions of Indiana and a golf outing generating most of the support. It is always considered reasonably possible that benefactors, grantors, or contributors might provide ongoing support in the near term.

Grants and Accounts Receivable and Support and Revenue

As of June 30, 2020 and for the year then ended, one (1) grantor represented 92% of grants and accounts receivable and one (1) donor represented 14% of support and revenue.

As of June 30, 2019 and for the year then ended, one (1) donor and one (1) grantor represented 57% of grants and accounts receivable.