

TENNESSEE KIDNEY FOUNDATION, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2014 AND 2013

TENNESSEE KIDNEY FOUNDATION, INC.
Financial Statements
JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Tennessee Kidney Foundation, Inc.

We have audited the accompanying statements of financial position of Tennessee Kidney Foundation, Inc. as of June 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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 consolidated 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 Tennessee Kidney Foundation, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Thomas Financial Resources".

November 10, 2014

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 290,054	\$ 257,408
Grants receivable	20,121	8,756
Contributions receivable	30,285	32,447
Prepays	17,840	17,986
Total current assets	<u>\$ 358,300</u>	<u>\$ 316,597</u>
Equipment		
Equipment	7,844	7,844
Computer software	9,000	9,000
Less: accumulated depreciation	(15,447)	(11,345)
Total equipment	<u>1,397</u>	<u>5,499</u>
Total assets	<u>\$ 359,697</u>	<u>\$ 322,096</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 407	\$ 24,103
Accrued liabilities	2,000	5,900
Total current liabilities	<u>2,407</u>	<u>30,003</u>

Net Assets

Unrestricted	288,401	232,607
Temporarily restricted	68,889	59,486
Total net assets	<u>357,290</u>	<u>292,093</u>
Total liabilities and net assets	<u>\$ 359,697</u>	<u>\$ 322,096</u>

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Received directly - Grant income	\$ 27,310	\$ 74,135	\$ 101,445
Received directly - Contributions	38,554	-	38,554
Received indirectly - United Way and federated funds	5,808	-	5,808
Received indirectly - Combined federal campaign	8,024	-	8,024
Special event revenue:			
Revenue	505,309	-	505,309
Less direct costs	(216,329)	-	(216,329)
Net revenue from special events	<u>288,980</u>	<u>-</u>	<u>288,980</u>
Total public support	368,676	74,135	442,811
Other revenue:			
Program service fees	1,028	-	1,028
Interest income	392	-	392
Total other revenue	<u>1,420</u>	<u>-</u>	<u>1,420</u>
Net assets released from restrictions	64,732	(64,732)	-
Total public support and other revenue	<u>434,828</u>	<u>9,403</u>	<u>444,231</u>
Expenses			
Program services:			
Community education	45,628	-	45,628
Professional education	34,829	-	34,829
Patient services	254,913	-	254,913
Total program services	<u>335,370</u>	<u>-</u>	<u>335,370</u>
Supporting services:			
Fundraising	27,903	-	27,903
Management and general	15,761	-	15,761
Total supporting services	<u>43,664</u>	<u>-</u>	<u>43,664</u>
Total expenses	<u>379,034</u>	<u>-</u>	<u>379,034</u>
Change in net assets	55,794	9,403	65,197
Net assets at beginning of year	232,607	59,486	292,093
Net assets at end of year	<u>\$ 288,401</u>	<u>\$ 68,889</u>	<u>\$ 357,290</u>

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Received directly - Grant income	\$ 57,818	\$ 25,000	\$ 82,818
Received directly - Contributions	52,864	-	52,864
Received indirectly - United Way and federated funds	5,732	-	5,732
Received indirectly - Combined federal campaign	4,847	-	4,847
Special event revenue:			
Revenue	329,396	-	329,396
Less direct costs	(115,308)	-	(115,308)
Net revenue from special events	<u>214,088</u>	<u>-</u>	<u>214,088</u>
Total public support	335,349	25,000	360,349
Other revenue:			
Interest income	678	-	678
Total other revenue	<u>678</u>	<u>-</u>	<u>678</u>
Net assets released from restrictions	64,457	(64,457)	-
Total public support and other revenue	<u>400,484</u>	<u>(39,457)</u>	<u>361,027</u>
Expenses			
Program services:			
Research	2,549	-	2,549
Community education	51,324	-	51,324
Professional education	35,664	-	35,664
Patient services	291,883	-	291,883
Total program services	<u>381,420</u>	<u>-</u>	<u>381,420</u>
Supporting services:			
Fundraising	35,664	-	35,664
Management and general	13,996	-	13,996
Total supporting services	<u>49,660</u>	<u>-</u>	<u>49,660</u>
Total expenses	<u>431,080</u>	<u>-</u>	<u>431,080</u>
Change in net assets	(30,596)	(39,457)	(70,053)
Net assets at beginning of year	263,203	98,943	362,146
Net assets at end of year	<u>\$ 232,607</u>	<u>\$ 59,486</u>	<u>\$ 292,093</u>

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Cash Flows From Operating Activities:	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 65,197	\$ (70,053)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	4,102	3,806
Changes in operating assets and liabilities:		
Contributions receivable	2,162	(27,832)
Grants receivable	(11,365)	(2,588)
Prepays	146	(4,653)
Accounts payable	(23,696)	2,956
Accrued liabilities	(3,900)	855
Net cash provided by (used in) operating activities	<u>32,646</u>	<u>(97,509)</u>
 Cash Flows From Investing Activities:		
Purchases of equipment and computer software	-	(2,567)
Net cash used in investing activities	<u>-</u>	<u>(2,567)</u>
 Net change in cash and cash equivalents	32,646	(100,076)
Cash and cash equivalents at beginning of year	257,408	357,484
Cash and cash equivalents at end of year	<u>\$ 290,054</u>	<u>\$ 257,408</u>
 <u>Supplemental schedule of noncash operating activities:</u>		
 In-kind donations	<u>\$ 9,163</u>	<u>\$ 5,147</u>

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services				Total Expenses
	Community Education	Professional Education	Patient Services	Program Services	Management and General	Fundraising	Supporting Services	Total	
Salaries	\$ 12,030	\$ 15,432	\$ 59,524	\$ 86,986	\$ 4,409	\$ 12,130	\$ 16,539	\$ 103,525	
Employee benefits	2,355	2,355	9,083	13,793	673	2,355	3,028	16,821	
Payroll taxes	985	1,135	4,378	6,498	324	950	1,274	7,772	
Total compensation	15,370	18,922	72,985	107,277	5,406	15,435	20,841	128,118	
Awards and grants	110	110	426	646	32	110	142	788	
Professional fees	3,839	3,839	14,809	22,487	1,097	3,839	4,936	27,423	
Contract pay	2,218	-	2,218	4,436	2,219	-	2,219	6,655	
Direct assistance to patients	12,133	-	125,127	137,260	-	-	-	137,260	
Office supplies and services	2,494	2,494	7,946	12,934	713	839	1,552	14,486	
Telephone and fax	925	925	3,567	5,417	264	925	1,189	6,606	
Postage and shipping	394	394	1,518	2,306	112	394	506	2,812	
Building occupancy	4,466	4,466	17,227	26,159	1,276	4,467	5,743	31,902	
Insurance	776	776	2,992	4,544	221	776	997	5,541	
Meetings and travel	1,118	1,118	4,313	6,549	319	1,118	1,437	7,986	
Miscellaneous	1,785	1,785	1,785	5,355	-	-	-	5,355	
Direct expenses of special events	-	-	-	-	-	216,329	216,329	216,329	
Depreciation	-	-	-	-	4,102	-	4,102	4,102	
Total expenses	45,628	34,829	254,913	335,370	15,761	244,232	259,993	595,363	
Less: expenses netted with revenue on statement of activities:									
Direct expenses of special events	-	-	-	-	-	(216,329)	(216,329)	(216,329)	
Total expenses by function	\$ 45,628	\$ 34,829	\$ 254,913	\$ 335,370	\$ 15,761	\$ 27,903	\$ 43,664	\$ 379,034	
Current year's percentages	12.04%	9.19%	67.25%	88.48%	4.16%	7.36%	11.52%	100.00%	

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					Supporting Services			Total Expenses
	Research	Community Education	Professional Education	Patient Services	Program Services	Management and General	Fundraising	Supporting Services	
Salaries	\$ 1,368	\$ 17,784	\$ 19,152	\$ 73,873	\$ 112,177	\$ 5,472	\$ 19,152	\$ 24,624	\$ 136,801
Employee benefits	218	2,829	3,047	11,753	17,847	871	3,047	3,918	21,765
Payroll taxes	102	1,324	1,426	5,499	8,351	407	1,426	1,833	10,184
Total compensation	1,688	21,937	23,625	91,125	138,375	6,750	23,625	30,375	168,750
Awards and grants	11	141	152	586	890	43	152	195	1,085
Professional fees	153	1,995	2,148	8,285	12,581	614	2,148	2,762	15,343
Direct assistance to patients	-	18,207	-	154,319	172,526	-	-	-	172,526
Office supplies and services	140	1,825	1,965	7,581	11,511	562	1,965	2,527	14,038
Telephone and fax	59	766	825	3,184	4,834	236	825	1,061	5,895
Postage and shipping	29	371	400	1,543	2,343	114	400	514	2,857
Building occupancy	311	4,038	4,349	16,773	25,471	1,242	4,349	5,591	31,062
Insurance	53	685	738	2,845	4,321	211	738	949	5,270
Meetings and travel	74	960	1,033	3,986	6,053	295	1,033	1,328	7,381
Miscellaneous	31	399	429	1,656	2,515	123	429	552	3,067
Direct expenses of special events	-	-	-	-	-	-	115,308	115,308	115,308
Depreciation	-	-	-	-	-	3,806	-	3,806	3,806
Total expenses	2,549	51,324	35,664	291,883	381,420	13,996	150,972	164,968	548,388
Less: expenses netted with revenue on statement of activities;	-	-	-	-	-	-	-	-	-
Direct expenses of special events	2,549	51,324	35,664	291,883	381,420	-	(115,308)	(115,308)	(115,308)
Total expenses by function	\$ -	\$ 51,324	\$ 35,664	\$ 291,883	\$ 381,420	\$ 13,996	\$ 35,664	\$ 49,660	\$ 431,080
Current year's percentages	0.59%	11.91%	8.27%	67.71%	88.48%	3.25%	8.27%	11.52%	100.00%

The accompanying notes are an integral part of these financial statements

TENNESSEE KIDNEY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tennessee Kidney Foundation, Inc. (the “Organization”) is a not-for-profit organization located in Nashville, Tennessee. The Organization’s purpose is to improve the health and well-being of Tennesseans affected by kidney disease through education, prevention, treatment and promotion of organ donation. The Organization fulfills its mission through programs, including Community Education, Professional Education, and Patient Services.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no permanently restricted net assets as of June 30, 2014 or 2013.

TENNESSEE KIDNEY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Equipment

Equipment is recorded at cost to the Organization, or if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful life is 5 years for equipment and 3 years for computer software.

Expenditures for repairs and maintenance are charged to operations when incurred.

Donated Material, Services and Equipment

A substantial number of unpaid volunteers have made contributions of their time to assist the Organization, and substantial contributions of materials for use in special events have been received. The value of contributed materials for years ended June 30, 2014 and 2013 is \$9,163 and \$5,147, respectively, and is properly reflected in the financial statements. The value of time contributed by volunteers is not estimable.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

TENNESSEE KIDNEY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended June 30, 2011 through June 30, 2014.

Contributions Receivable

Contributions receivable are recorded at their estimated value and reflect discounts for payment terms greater than one year, if applicable. Contributions receivable are considered to be conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received. All contributions receivable are due within one year of June 30, 2014. There were no conditional promises to give as of June 30, 2014 or 2013.

TENNESSEE KIDNEY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 2 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013 for the following purposes:

	<u>2014</u>	<u>2013</u>
Patient services and education	\$ 62,352	\$ 35,550
Nutritional supplements	<u>6,537</u>	<u>23,936</u>
	<u>\$ 68,889</u>	<u>\$ 59,486</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Patient services and education	\$ 47,333	\$ 50,016
Nutritional supplements	<u>17,399</u>	<u>14,441</u>
Total restrictions released	<u>\$ 64,732</u>	<u>\$ 64,457</u>

NOTE 3 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease which expires on September 30, 2017. Rent expense for the years ended June 30, 2014 and 2013 totaled \$31,902 and \$31,062, respectively.

Future minimum lease payments under the office operating lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	33,578
2016	33,516
2017	34,454
2018	<u>8,672</u>
	<u>\$110,220</u>

TENNESSEE KIDNEY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 4 – RETIREMENT PLAN

The Organization has a simplified employee pension plan for essentially all employees developed pursuant to Internal Revenue Code Section 403(b). Contributions by the Organization equal 8% of annual salary and totaled \$ 8,209 and \$8,225 for the years ending June 30, 2014 and 2013, respectively.

NOTE 5 – VITAMIN SETTLEMENT GRANT

In June 2003, the Organization received \$587,250 from the State of Tennessee related to a vitamin antitrust lawsuit settlement. The funds must be used solely for purposes identified by the Organization in their grant fund application, and mainly entail purchasing nutritional supplements for dialysis patients. As of June 30, 2014, \$580,713 of funds has been released from restriction.

NOTE 6 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through November 10, 2014 the issuance of the Organization's financial statements.