

**TENNESSEE KIDNEY FOUNDATION, INC.**

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

**JUNE 30, 2015 AND 2014**

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**TENNESSEE KIDNEY FOUNDATION, INC.**  
**Financial Statements**  
**JUNE 30, 2015 AND 2014**

**Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Report</b>	<b>1</b>
<b><u>Financial Statements</u></b>	
<b>Statements of Financial Position</b>	<b>2</b>
<b>Statements of Activities</b>	<b>3-4</b>
<b>Statements of Cash Flows</b>	<b>5</b>
<b>Statements of Functional Expenses</b>	<b>6-7</b>
<b>Notes to Financial Statements</b>	<b>8-12</b>

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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, 2015 and 2014, 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, 2015 and 2014, 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, appearing to read "Thomas Financial Resources".

October 26, 2015

**TENNESSEE KIDNEY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 223,859	\$ 290,054
Contributions receivable	49,819	30,285
Grants receivable	10,850	20,121
Prepays	14,439	17,840
Total current assets	<u>\$ 298,967</u>	<u>\$ 358,300</u>
<b>Noncurrent Assets</b>		
Contributions receivable	89,560	-
Equipment and Computer Software		
Equipment	12,054	7,844
Computer software	-	9,000
Less: accumulated depreciation	(10,539)	(15,447)
Total equipment and computer software	<u>1,515</u>	<u>1,397</u>
Total assets	<u>\$ 390,042</u>	<u>\$ 359,697</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 8,892	\$ 407
Accrued liabilities	2,818	2,000
Total current liabilities	<u>11,710</u>	<u>2,407</u>
<b>Net Assets</b>		
Unrestricted	356,948	288,401
Temporarily restricted	21,384	68,889
Total net assets	<u>378,332</u>	<u>357,290</u>
Total liabilities and net assets	<u>\$ 390,042</u>	<u>\$ 359,697</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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue</b>			
Public support:			
Received directly - Grant income	\$ 27,532	\$ 21,700	\$ 49,232
Received directly - Contributions	170,896	12,086	182,982
Received indirectly - United Way	3,496	-	3,496
Received indirectly - Combined federal campaign	5,000	-	5,000
Special event revenue:			
Revenue	481,954	-	481,954
Less direct costs	(265,186)	-	(265,186)
Net revenue from special events	<u>216,768</u>	<u>-</u>	<u>216,768</u>
Total public support	423,692	33,786	457,478
Other revenue:			
Program service fees	-	-	-
Interest income	462	-	462
Total other revenue	<u>462</u>	<u>-</u>	<u>462</u>
Net assets released from restrictions	81,291	(81,291)	-
Total public support and other revenue	<u>505,445</u>	<u>(47,505)</u>	<u>457,940</u>
<b>Expenses</b>			
Program services:			
Community education	62,273	-	62,273
Professional education	39,408	-	39,408
Patient services	280,457	-	280,457
Total program services	<u>382,138</u>	<u>-</u>	<u>382,138</u>
Supporting services:			
Fundraising	39,407	-	39,407
Management and general	15,353	-	15,353
Total supporting services	<u>54,760</u>	<u>-</u>	<u>54,760</u>
Total expenses	<u>436,898</u>	<u>-</u>	<u>436,898</u>
<b>Change in net assets</b>	68,547	(47,505)	21,042
Net assets at beginning of year	288,401	68,889	357,290
<b>Net assets at end of year</b>	<u>\$ 356,948</u>	<u>\$ 21,384</u>	<u>\$ 378,332</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>
<b>Revenue</b>			
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>
<b>Expenses</b>			
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>
<b>Change in net assets</b>	55,794	9,403	65,197
Net assets at beginning of year	232,607	59,486	292,093
<b>Net assets at end of year</b>	<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.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

<b>Cash Flows From Operating Activities:</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Change in net assets	\$ 21,042	\$ 65,197
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	4,092	4,102
Changes in operating assets and liabilities:		
Contributions receivable	(109,094)	2,162
Grants receivable	9,271	(11,365)
Prepays	3,401	146
Accounts payable	8,485	(23,696)
Accrued liabilities	818	(3,900)
Net cash (used in) provided by operating activities	<u>(61,985)</u>	<u>32,646</u>
 <b>Cash Flows From Investing Activities:</b>		
Purchases of equipment	<u>(4,210)</u>	-
Net cash used in investing activities	(4,210)	-
 Net change in cash and cash equivalents	(66,195)	32,646
Cash and cash equivalents at beginning of year	290,054	257,408
Cash and cash equivalents at end of year	<u>\$ 223,859</u>	<u>\$ 290,054</u>
 <u>Supplemental schedule of noncash operating activities:</u>		
 In-kind donations	<u>\$ 6,000</u>	<u>\$ 9,163</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, 2015

	Program Services				Supporting Services			Total Expenses
	Community Education	Professional Education	Patient Services	Program Services	Management and General	Fundraising	Supporting Services	
Salaries	\$ 21,293	\$ 21,294	\$ 82,133	\$ 124,720	\$ 6,084	\$ 21,294	\$ 27,378	\$ 152,098
Employee benefits	3,382	3,383	13,045	19,810	966	3,382	4,348	24,158
Payroll taxes	1,515	1,515	5,844	8,874	433	1,515	1,948	10,822
Total compensation	26,190	26,192	101,022	153,404	7,483	26,191	33,674	187,078
Professional fees	2,218	2,219	8,558	12,995	634	2,219	2,853	15,848
Direct assistance to patients	22,867	-	128,457	151,324	-	-	-	151,324
Office supplies and services	2,479	2,479	9,563	14,521	709	2,479	3,188	17,709
Telephone and fax	1,168	1,168	4,505	6,841	334	1,168	1,502	8,343
Postage and shipping	596	595	2,294	3,485	170	595	765	4,250
Building occupancy	4,472	4,472	17,250	26,194	1,277	4,472	5,749	31,943
Insurance	828	828	3,193	4,849	237	828	1,065	5,914
Meetings and travel	894	894	3,449	5,237	256	894	1,150	6,387
Miscellaneous	561	561	2,166	3,288	161	561	722	4,010
Direct expenses of special events	-	-	-	-	-	265,186	265,186	265,186
Depreciation	-	-	-	-	4,092	-	4,092	4,092
Total expenses	62,273	39,408	280,457	382,138	15,353	304,593	319,946	702,084
Less: expenses netted with revenue on statement of activities:								
Direct expenses of special events	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (265,186)	\$ (265,186)	\$ (265,186)
Total expenses by function	62,273	39,408	280,457	382,138	15,353	39,407	54,760	436,898
Current year's percentages	14.26%	9.02%	64.19%	87.47%	3.51%	9.02%	12.53%	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, 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	-	-	-	5,385	
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	15,781	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	\$ 15,781	\$ 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.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**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, 2015 or 2014.

**TENNESSEE KIDNEY FOUNDATION, INC.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**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.

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, 2015 and 2014 is \$6,000 and \$9,163, 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, 2015 and 2014**

**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, 2012 through June 30, 2015.

**Contributions Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

**TENNESSEE KIDNEY FOUNDATION, INC.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 2 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable at June 30, 2015, are due as follows:

Less than 1 year	\$ 49,819
1 year to 5 years	<u>105,000</u>
	\$154,819
Less unamortized discount at 5% rate	<u>(15,440)</u>
	<u>\$139,379</u>

**NOTE 3 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2015 and 2014 for the following purposes:

	<u>2015</u>	<u>2014</u>
Patient services and education	\$ 21,384	\$ 62,352
Nutritional supplements	<u>-</u>	<u>6,537</u>
	<u>\$ 21,384</u>	<u>\$ 68,889</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>2015</u>	<u>2014</u>
Patient services and education	\$ 74,754	\$ 47,333
Nutritional supplements	<u>6,537</u>	<u>17,399</u>
Total restrictions released	<u>\$ 81,291</u>	<u>\$ 64,732</u>

**TENNESSEE KIDNEY FOUNDATION, INC.**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 4 – 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, 2015 and 2014 totaled \$31,943 and \$31,902, respectively.

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

<b>Year Ending</b>	
<b><u>June 30,</u></b>	<b><u>Amount</u></b>
2016	33,516
2017	34,454
2018	<u>8,672</u>
	<u>\$ 76,642</u>

**NOTE 5 – 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 \$ 7,350 and \$8,209 for the years ending June 30, 2015 and 2014, respectively.

**NOTE 6 – 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, 2015, \$587,250 of funds has been released from restriction.

**NOTE 7 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through October 26, 2015, the issuance of the Organization's financial statements.