



National Kidney Foundation

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**National Kidney Foundation
of Northern California & Northern Nevada, Inc.**

Financial Statements

Year ended June 30, 2007

with

Report of Independent Auditors

W I L S O N
M A R K L E
S T U C K E Y
H A R D E S T Y
& B O T T

Report of Independent Auditors

Board of Directors

National Kidney Foundation of Northern California & Northern Nevada, Inc.

We have audited the accompanying statement of financial position of the National Kidney Foundation of Northern California & Northern Nevada, Inc. as of June 30, 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the National Kidney Foundation of Northern California & Northern Nevada, Inc. Our responsibility is to express an opinion on these financial statements, based on our audit. National Kidney Foundation of Northern California & Northern Nevada, Inc. derived the prior year summarized comparative information from its June 30, 2006 financial statements and, in our report dated September 5, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the National Kidney Foundation of Northern California & Northern Nevada, Inc. as of June 30, 2007, and changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Wilson Markle Stuckey Hardesty & Bott

Wilson Markle Stuckey Hardesty & Bott

September 20, 2007

National Kidney Foundation of Northern California & Northern Nevada, Inc.**Statement of Financial Position**

June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$306,108 | \$174,985 |
| Investments, at fair value | 347,631 | 460,411 |
| Contributions receivable | 10,560 | - |
| Accounts receivable | 4,895 | 5,789 |
| Prepaid expenses | <u>36,965</u> | <u>55,157</u> |
| Total current assets | 706,159 | 696,342 |
| Property and equipment, at cost | 100,371 | 90,114 |
| Accumulated depreciation | <u>(71,437)</u> | <u>(59,145)</u> |
| Property and equipment, net | 28,934 | 30,969 |
| Other assets | <u>4,776</u> | <u>4,788</u> |
| Total assets | <u><u>\$739,869</u></u> | <u><u>\$732,099</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$208,129 | \$ 97,461 |
| Deferred revenue | <u>107,095</u> | <u>113,780</u> |
| Total current liabilities | 315,224 | 211,241 |
| Net assets | | |
| Unrestricted | 350,880 | 486,524 |
| Temporarily restricted | 53,765 | 14,334 |
| Permanently restricted | <u>20,000</u> | <u>20,000</u> |
| Total net assets | <u>424,645</u> | <u>520,858</u> |
| Total liabilities and net assets | <u><u>\$739,869</u></u> | <u><u>\$732,099</u></u> |

See accompanying notes.

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Statement of Activities and Changes in Net Assets
Year ended June 30, 2007 with comparative totals for the year ended June 30, 2006

| | Unrestricted | Restricted | | 2007 Totals | 2006 Totals only |
|---------------------------------------|--------------|-------------|-------------|----------------|---------------------|
| | | Temporarily | Permanently | | |
| Support and revenue | | | | | |
| Public support | | | | | |
| Received directly | | | | | |
| Contributions | \$ 704,759 | \$55,623 | - | \$ 760,382 | \$ 624,580 |
| Memorials and bequests | 125,840 | - | - | 125,840 | 435,133 |
| In-kind services | - | - | - | - | 1,500 |
| Total received directly | 830,599 | 55,623 | - | 886,222 | 1,061,213 |
| Special event fundraisers | | | | | |
| Revenue | 951,106 | - | - | 951,106 | 864,794 |
| Direct expenses | (523,687) | - | - | (523,687) | (760,628) |
| Special event fundraisers, net | 427,419 | - | - | 427,419 | 104,166 |
| Total public support | 1,258,018 | 55,623 | - | 1,313,641 | 1,165,379 |
| Revenue | | | | | |
| Investment income, net | 39,414 | - | - | 39,414 | 12,375 |
| Other revenue | 3,754 | - | - | 3,754 | 1,841 |
| Sales of donated property | | | | | |
| Sales | 96,800 | - | - | 96,800 | 88,970 |
| Cost of sales | (120,148) | - | - | (120,148) | (118,759) |
| Sales of donated property, net | (23,348) | - | - | (23,348) | (29,789) |
| Total revenue (loss) | 19,820 | - | - | 19,820 | (15,573) |
| Net assets released from restrictions | | | | | |
| Satisfaction of program restrictions | 16,192 | (16,192) | - | - | - |
| Total support and revenue | 1,294,030 | 39,431 | - | 1,333,461 | 1,149,806 |
| Expenses | | | | | |
| Program services | | | | | |
| Research | 125,113 | - | - | 125,113 | 171,330 |
| Public education and prevention | 128,539 | - | - | 128,539 | 99,255 |
| Professional education | 372,905 | - | - | 372,905 | 274,731 |
| Patient services | 263,174 | - | - | 263,174 | 202,298 |
| Community services | 267,147 | - | - | 267,147 | 129,897 |
| Total program services | 1,156,878 | - | - | 1,156,878 | 877,511 |
| Supporting services | | | | | |
| Fundraising | 97,716 | - | - | 97,716 | 93,452 |
| Management and general | 175,080 | - | - | 175,080 | 156,411 |
| Total supporting services | 272,796 | - | - | 272,796 | 249,863 |
| Total expenses | 1,429,674 | - | - | 1,429,674 | 1,127,374 |
| Change in net assets | (135,644) | 39,431 | - | (96,213) | 22,432 |
| Net assets, beginning of year | 486,524 | 14,334 | 20,000 | 520,858 | 498,426 |
| Net assets, end of year | \$ 350,880 | \$53,765 | \$20,000 | \$ 424,645 | \$ 520,858 |

See accompanying notes.

Iney Foundation of Northern California & Northern Nevada, Inc.
Statement of Functional Expenses
 Year ended June 30, 2007 with comparative totals for the year ended June 30, 2006

| | Program services | | | | | | Supporting services | | 2006 Totals only |
|--|-------------------------------------|---------------------------|---------------------|-----------------------|---------------------------|-------------------------|---------------------------|---------------------------------|---------------------|
| | Public education and research | Professional education | Patient services | Community services | Total program services | Fundraising and general | Management and general | Total supporting services | |
| Expenses | | | | | | | | | |
| Salaries | \$ 33,956 | \$ 44,017 | \$ 111,269 | \$ 94,951 | \$ 413,669 | \$ 20,526 | \$ 41,050 | \$ 61,576 | \$ 475,245 |
| Employee benefits | 2,402 | 3,020 | 7,467 | 6,623 | 27,970 | 1,494 | 2,989 | 4,483 | 32,453 |
| Payroll taxes | 2,835 | 3,739 | 9,484 | 7,992 | 35,111 | 1,732 | 3,463 | 5,195 | 40,306 |
| Awards and grants | 45,000 | - | 10,403 | - | 55,403 | - | - | - | 55,403 |
| Professional and contract services | 3,827 | 21,104 | 9,760 | 67,055 | 141,418 | 152,336 | 74,754 | 227,090 | 368,508 |
| Direct patient assistance | - | - | 22,150 | - | 22,150 | - | - | - | 22,150 |
| Supplies | 938 | 5,671 | 4,845 | 15,445 | 29,887 | 37,617 | 1,138 | 38,755 | 68,642 |
| Telephone | 1,572 | 1,751 | 4,012 | 4,092 | 17,354 | 4,592 | 2,590 | 7,182 | 16,019 |
| Postage and shipping | 332 | 1,740 | 2,798 | 975 | 8,145 | 21,553 | 1,434 | 22,987 | 24,536 |
| Building occupancy | 6,092 | 6,092 | 18,044 | 14,959 | 60,146 | 4,666 | 6,773 | 11,439 | 31,132 |
| Insurance | 324 | 324 | 972 | 810 | 3,240 | 845 | 382 | 1,227 | 4,467 |
| Printing and publications | 3,297 | 4,771 | 13,223 | 10,189 | 42,457 | 79,075 | 2,833 | 81,908 | 129,820 |
| Conferences and meetings | 994 | 1,294 | 66,040 | 4,029 | 86,981 | 288,454 | 1,168 | 289,622 | 376,603 |
| Travel | 1,399 | 11,024 | 12,193 | 6,442 | 35,301 | 11,944 | 4,219 | 16,163 | 51,464 |
| Miscellaneous | (2,631) | 231 | 2,008 | (680) | 160 | 10,023 | 394 | 10,417 | 10,577 |
| Depreciation | - | - | - | - | - | - | 12,292 | 12,292 | 12,292 |
| Cost of property sold | - | - | - | - | - | - | 96,800 | 96,800 | 96,800 |
| Revenue share payments to the National Kidney Foundation, Inc. | 24,776 | 23,761 | 60,045 | 37,339 | 177,486 | 9,894 | 19,601 | 29,495 | 206,981 |
| Total expenses | 125,113 | 128,539 | 372,905 | 263,174 | 1,156,878 | 741,551 | 175,080 | 916,631 | 2,073,509 |
| Expenses netted against revenues on the statement of activities | - | - | - | - | - | 523,687 | - | 523,687 | 523,687 |
| Special events - Direct | - | - | - | - | - | 96,800 | - | 96,800 | 96,800 |
| Cost of property sold | - | - | - | - | - | 23,348 | - | 23,348 | 23,348 |
| Selling | - | - | - | - | - | - | - | - | - |
| Total expenses netted against revenues on the statement of activities | - | - | - | - | - | 643,835 | - | 643,835 | 643,835 |
| Net expenses reported by function | \$ 125,113 | \$ 128,539 | \$ 372,905 | \$ 263,174 | \$ 1,156,878 | \$ 97,716 | \$ 175,080 | \$ 272,796 | \$ 1,429,674 |
| 2007 percentage of net expenses reported by function | 8.8% | 9.0% | 26.1% | 18.4% | 81.0% | 6.8% | 12.2% | 19.0% | 100.0% |
| 2006 percentage of net expenses reported by function | 15.2% | 8.8% | 24.4% | 17.9% | 77.8% | 8.3% | 13.9% | 22.2% | 100.0% |

See accompanying notes.

National Kidney Foundation of Northern California & Northern Nevada, Inc.

Statement of Cash Flows

Years ended June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Change in net assets | (\$ 96,213) | \$ 22,432 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 12,292 | 17,112 |
| Net (gain) loss on investments | (10,494) | 10,688 |
| Contributed investments | (5,157) | (4,475) |
| Contributed property | (96,800) | (88,970) |
| Proceeds from sale of contributed property | 96,800 | 88,970 |
| Changes in | | |
| Contributions receivable | (10,560) | - |
| Accounts receivable | 894 | (310) |
| Prepaid expenses | 18,192 | (27,450) |
| Accounts payable and accrued expenses | 110,668 | 28,444 |
| Deferred revenue | <u>(6,685)</u> | <u>6,385</u> |
| Net cash provided by operating activities | 12,937 | 52,826 |
| Cash flow from investing activities | | |
| Proceeds from sale of investments | 130,273 | 44,366 |
| Purchase of investments | (1,842) | (50,089) |
| Purchase of property and equipment | (10,257) | (3,502) |
| Change in other assets | <u>12</u> | <u>(661)</u> |
| Net cash provided (used) by investing activities | <u>118,186</u> | <u>(9,886)</u> |
| Net change in cash and cash equivalents | 131,123 | 42,940 |
| Cash and cash equivalents, beginning of year | <u>174,985</u> | <u>132,045</u> |
| Cash and cash equivalents, end of year | <u><u>\$306,108</u></u> | <u><u>\$174,985</u></u> |
| Supplemental information | | |
| Contributions of in-kind services | <u>\$ -</u> | <u>\$ 25,667</u> |

See accompanying notes.

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies

Basis of presentation

The National Kidney Foundation of Northern California & Northern Nevada, Inc. (Foundation) incorporated on February 17, 1966, and operates as a public, not-for-profit voluntary health and welfare organization from its headquarters in San Francisco and serves the needs of kidney disease patients throughout Northern California and Nevada. Through its various programs, the Foundation seeks to prevent kidney and urinary tract diseases, improve the health and well being of individuals and families affected by these diseases and increase the availability of all organs for transplant. The Foundation is affiliated with and makes significant contributions to the National Kidney Foundation, Inc. (NKF).

On October 26, 2006, the Foundation changed its name from the “National Kidney Foundation of Northern California, Inc.” to the “National Kidney Foundation of Northern California & Northern Nevada, Inc.” to reflect the larger region it serves.

Programs

Research

Research ensures greater understanding of kidney disease, helps develop more effective treatments and offers hope to kidney disease patients. The Foundation promotes research by awarding two-year fellowships to physician-scientists conducting nephrology, urology, transplantation and cancer research at various northern California universities through its Fellowship program. The Fellowship program helps produce high-quality research of immediate value to the medical community and provide professional development of the next generation of researchers.

Public education and prevention

The Foundation has an aggressive policy of kidney disease prevention and public outreach with the goal of identifying and intervening with at-risk populations before kidney disease becomes irreversible. The Foundation targets elementary schoolchildren at statistically high-risk for developing kidney disease and educates them about healthy lifestyles and kidney disease avoidance through its Healthy Kidneys for Life program. The Foundation targets adults at statistically high-risk for developing kidney disease and provides them free health screenings for kidney disease warning signs and counseling and referral assistance for those displaying signs of kidney disease through its Kidney Early Evaluation Program. The Foundation delivers the message of kidney disease

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies (continued)

prevention directly to the public through awareness, education and outreach campaigns utilizing local events, health fairs, media, direct mail and the Foundation-sponsored SuperStride for Life Walk.

Professional education

The Foundation promotes better care and outcomes for kidney disease patients by working with medical professionals to provide opportunities for continued education and idea exchange. The Foundation brings together nationally-esteemed presenters at medical symposia, journal club and case presentation events and lectures to provide educational opportunities and continuing medical education units to local doctors, nurses, renal dieticians and social workers. The Foundation promotes the exchange of new medical knowledge through its annual Young Investigators' Forum, which provides researchers an opportunity to present their findings to and exchange ideas with their colleagues. The Medical Advisory Board of the Foundation is a membership-based organization for physicians and allied medical professional that offers opportunities for professional interaction and continuing education.

Patient services

The Foundation provides advocacy of and assistance for kidney disease patients through a variety of direct services to individuals, acting as the central source of information about kidney and urological diseases. The Foundation organizes seminars, workshops, educational forums and support groups for kidney disease patients. The Foundation also offers free annual trips for kidney disease patients through its Kidney Kids and Family Camps and sponsors participants in the biennial U. S. Transplant Games. The Foundation provides direct financial assistance to kidney disease patients burdened by the costs of kidney disease management, including one-time emergency grants to cover essential, quality-of-life services and transportation and educational scholarships through its Patient Scholarship program to increase the self-sufficiency of kidney disease patients.

Community services

The Foundation seeks to raise public awareness about kidney disease, its risk factors and the many issues of concern to the kidney community. The Foundation is also a strong advocate for organ donation and ethical living donorship. The Foundation raises awareness about these issues through community services for the general public, including public events, participation in health fairs, media campaigns, direct mail, online and print resources and

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies (continued)

advocacy opportunities for patients, family members, friends and concerned members of the general public.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and held by commercial banks and a regulated investment company, all available within 90 days of demand.

Investments

Investments consist principally of debt securities of corporations and U. S. Government agencies and shares of a regulated investment company (mutual fund), stated at fair market value.

Property and equipment

Property and equipment consist of computer, display and office equipment, furniture and leasehold improvements, stated at cost or fair value when received as a contribution. The Foundation capitalizes only property and equipment purchased or received as a contribution that it intends to use in its operations, when the cost or fair value exceeds \$1,000. The Foundation records property and equipment depreciation (except on leasehold improvements) on a straight-line basis over the estimated useful lives of the property and equipment, ranging from three to seven years. The Foundation records leasehold improvement depreciation on a straight-line basis over the lesser of the estimated useful lives of the leasehold improvements and the remaining term of the lease.

Deferred revenue and special events

The Foundation reports revenue from special events when the special event occurs. Deferred revenue consists of payments received in advance of the special events.

Net assets

Net assets include unrestricted, temporarily restricted and permanently restricted net assets. Unrestricted net assets consist of revenue and contributions not restricted to a particular purpose or time by the donor net of expenses. Temporarily restricted net assets consist of contributions restricted by the donor to a particular purpose or time. Temporarily restricted net assets become unrestricted net assets when the Foundation meets the donor purpose or time restrictions. The policy of the Foundation is to classify as unrestricted net assets all temporarily restricted net assets that the Foundations receives and meets the donor purpose or time restriction within the same fiscal period. Permanently restricted net assets consist of

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies (continued)

contributions restricted by the donor to be held permanently by the Foundation, allowing for only use of the income generated by the contribution.

Proceeds from donated property

The Foundation reports contributions of donated property not to be used in operations based on the gross sales price, which approximates fair value because the Foundation sells donated property not to be used in operations immediately, when possible. During the years ended June 30, 2007 and 2006, contributions include the value of donated used cars totaling \$96,800 and \$88,970, respectively.

Proceeds from donated property consist principally of the gross sales price of donated used cars received through the national Kidney Cars Program.

In-kind services

The Foundation reports the fair value of contributed services as in-kind when rendered if they meet two criteria: The contributed services are of a professional or technical nature requiring expertise or education not available to the Foundation and the Foundation would have paid for the services if the services had not been contributed. Contributions of the use of real property also meet the criteria of in-kind services. Most volunteer services, although critical to the programs, activities and events of the Foundation, do not meet the criteria for reporting herein.

In-kind services consist principally of special event advertising and significant discounts on certain professional services.

Net investment income

Net investment income consists of interest and dividends earned on cash, cash equivalents and investments, realized gains and losses on the sale of investments and unrealized appreciation and depreciation of investments.

National Kidney Foundation, Inc.

The Foundation is one of 44 regional affiliates of the National Kidney Foundation, Inc. (NKF). As such, the Foundation benefits from certain marketing and fundraising efforts of the NKF and the Foundation is obligated to pay the NKF 25% of certain support and revenue, as defined. Accounts payable and accrued expenses as of June 30, 2007 and 2006, include amounts due to NKF totaling \$35,219 and \$1,514, respectively.

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies (continued)

Expense allocation

The activities of the Foundation include program services (above), special event fundraisers (Note 7) and supporting services (fundraising, management and general). The Foundation allocates direct expenses to the activity benefited. The Foundation allocates indirect expenses among its activities based on benefit factors, including personnel and space used, estimated at least annually.

Income taxes

Governmental authorities informed the Foundation that it is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and section 23701d of the California Revenue and Taxation Code, based on a group ruling issued to the NKF. Additionally, governmental authorities classified the Foundation as an organization that is not a private foundation under IRC section 509(a)(1) and 170(b)(1)(A)(vi). Consequently, donors are entitled to the highest charitable income tax deduction allowed by law. The management of the Foundation believes that no activities of the Foundation jeopardized its exemption from income taxes or its classification as a “public charity.” Consequently, the Foundation provided no income tax provision herein.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (US-GAAP) requires the management of the Foundation to use estimates that affect amounts and disclosures reported herein. Actual results could differ from those estimated.

Fair value of financial instruments

Management estimates that the aggregate net fair value of financial instruments recognized herein (including receivables, payables and accrued expenses) approximates their carrying value; as such financial instruments are short-term in nature, bear interest at current market rates or are stated at their fair value.

Concentrations, credit and market risk

During the years ended June 30, 2007 and 2006, revenue received from two special event fundraisers totaled 39% and 28% of gross support and revenue, respectively.

Cash and cash equivalents held by one commercial bank exceed federal deposit insurance limits at various times during the years ended June 30, 2007 and 2006.

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of significant accounting policies (continued)

Investments are subject to credit and market risk. Credit and market risks are the risks that losses may occur due to failure of another party to perform (credit risk) and changes in market or economic conditions over time (market risk).

Comparative totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US-GAAP. Accordingly, read such information in conjunction with the financial statements of the Foundation as of and for the year ended June 30, 2006, from which the Foundation derived the summarized information. The Foundation reclassified certain prior year amounts to conform to the current year presentation.

Note 2 – Investments

As of June 30, 2007 and 2006, investments consisted of shares of a regulated investment company (mutual fund), equity and debt securities of corporations and debt securities of U. S. Government agencies, including the Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage (FHLM), Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA). The debt securities of U. S. Government agencies are generally securitized by pools of mortgage loans, guaranteed by the issuing agency and the U. S. Government, paying periodic interest (from 2.0%-7.5%), redeemed partially upon collection of the underlying security and callable at par before maturity (from July 16, 2008 though October 1, 2035).

As of June 30, 2007 and 2006, investments by issuer totaled as follows:

National Kidney Foundation of Northern California & Northern Nevada, Inc.

Notes to Financial Statements

June 30, 2007

Note 2 – Investments (continued)

| <u>Issuer</u> | <u>2007</u> | | <u>2006</u> | |
|------------------------------|------------------|-------------------|------------------|-------------------|
| | <u>Cost</u> | <u>Fair value</u> | <u>Cost</u> | <u>Fair value</u> |
| Regulated investment company | | | | |
| Pioneer High Yield Fund | \$ 22,116 | \$ 21,889 | \$ 20,273 | \$ 18,978 |
| Debt | | | | |
| Ford Motor Company | | | | |
| 4.75% 02-20-2008 | 50,236 | 49,065 | 50,236 | 45,503 |
| FHLB | 150,007 | 148,558 | 200,010 | 195,451 |
| FHLM | 18,489 | 18,316 | 22,279 | 21,935 |
| FNMA | 85,417 | 80,745 | 149,604 | 143,242 |
| GNMA | <u>29,675</u> | <u>29,058</u> | <u>36,056</u> | <u>35,302</u> |
| Totals | <u>\$355,940</u> | <u>\$347,631</u> | <u>\$478,458</u> | <u>\$460,411</u> |

During the years ended June 30, 2007 and 2006, investment income totaled as follows:

| | <u>2007</u> | <u>2006</u> |
|--|-----------------|------------------|
| Interest and dividends – Cash and cash equivalents | \$10,414 | \$ 5,244 |
| Interest and dividends – Investments | 18,086 | 17,384 |
| Net gain (loss) on sale of investments | 756 | 2,521 |
| Net appreciation (depreciation) of investments | <u>10,158</u> | <u>(12,774)</u> |
| Investment income, net | <u>\$39,414</u> | <u>\$12,375</u> |

Note 3 – Property and equipment

As of June 30, 2007 and 2006, property and equipment totaled as follows:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------|------------------|------------------|
| Computer and office equipment | \$ 57,642 | \$47,385 |
| Display equipment | 12,444 | 12,444 |
| Furniture and leasehold improvements | <u>30,285</u> | <u>30,285</u> |
| Total property and equipment, at cost | 100,371 | 90,114 |
| Accumulated depreciation | <u>(71,437)</u> | <u>(59,145)</u> |
| Property and equipment, net | <u>\$ 28,934</u> | <u>\$30,969</u> |

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 4 – Temporarily restricted net assets

As of June 30, 2007 and 2006, and for the year ended June 30, 2007, temporarily restricted net assets reconcile as follows:

| | <u>2006</u> | <u>Additions</u> | <u>Releases</u> | <u>2007</u> |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| Professional education | \$ — | \$30,000 | \$ — | \$30,000 |
| Patient services | — | 10,000 | 2,261 | 7,739 |
| Community services | 14,334 | 5,623 | 13,931 | 6,026 |
| Management and general | <u>—</u> | <u>10,000</u> | <u>—</u> | <u>10,000</u> |
| Totals | <u>\$14,334</u> | <u>\$55,623</u> | <u>\$16,192</u> | <u>\$53,765</u> |

Note 5 – Permanently restricted net assets

As of June 30, 2007 and 2006, the net assets of the Foundation include amounts permanently restricted by the donor, totaling \$20,000. The Foundation may use the income from the permanently restricted net assets for patient services.

Note 6 – Special event fundraisers

During the year ended June 30, 2007, special event fundraiser gross proceeds and direct expenses totaled as follows:

| | <u>Gross</u> <u>proceeds</u> | <u>Direct</u> <u>expenses</u> | <u>Net</u> <u>proceeds</u> |
|---------------------------------|---------------------------------|----------------------------------|-------------------------------|
| <u>Special event fundraiser</u> | | | |
| Authors' luncheons and series | \$503,610 | \$263,825 | \$239,785 |
| Champions of Hope Gala | 264,197 | 157,694 | 106,503 |
| Golf tournaments | 112,595 | 73,124 | 39,471 |
| SuperStride for Life Walks | 69,588 | 28,835 | 40,753 |
| Others | <u>1,116</u> | <u>209</u> | <u>907</u> |
| Totals | <u>\$951,106</u> | <u>\$523,687</u> | <u>\$427,419</u> |

National Kidney Foundation of Northern California & Northern Nevada, Inc.
Notes to Financial Statements
June 30, 2007

Note 6 – Special event fundraisers (continued)

During the year ended June 30, 2006, special event fundraiser gross proceeds and direct expenses totaled as follows:

| <u>Special event fundraiser</u> | <u>Gross proceeds</u> | <u>Direct expenses</u> | <u>Net proceeds</u> |
|---------------------------------|---------------------------|----------------------------|-------------------------|
| Authors' luncheons and series | \$476,226 | \$287,740 | \$188,486 |
| Champions of Hope Gala | 279,367 | 387,032 | (107,665) |
| Golf tournaments | 34,615 | 58,005 | (23,390) |
| SuperStride for Life Walks | 63,393 | 27,761 | 35,632 |
| Others | <u>11,193</u> | <u>90</u> | <u>11,103</u> |
| Totals | <u>\$864,794</u> | <u>\$760,628</u> | <u>\$104,166</u> |

Note 7 – In-kind services

During the year ended June 30, 2007, the Foundation received no significant in-kind services.

During the year ended June 30, 2006, in-kind services received by the Foundation and recorded herein totaled as follows:

| | <u>Other</u> | <u>Professional services</u> |
|---------------------------|---------------------|----------------------------------|
| Professional education | \$ – | \$ 1,500 |
| Special event fundraisers | <u>700</u> | <u>23,467</u> |
| Totals | <u>\$700</u> | <u>\$24,967</u> |

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Note 8 – Retirement plan

The Foundation allows its employees to defer a portion of their salary into a defined contribution plan under section 403(b) of the IRC. The Foundation matches deferrals of its employees with at least one year of service, at rates ranging from 2%-8¼% of the deferrals, depending on the number of years of service. Participants vest ratably in Foundation contributions over five years. Participants may also vest immediately upon attainment of age 65, death, disability or plan termination. During the years ended June 30, 2007 and 2006, the Foundation made matching contributions totaling \$519 and \$516, respectively.

Note 9 – Joint costs

During the years ended June 30, 2007 and 2006, the Foundation elected to allocate the joint costs of its website and newsletters, as follows:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|------------------------|------------------------|
| Research | \$ 766 | \$ 2,083 |
| Public education and prevention | 766 | 2,083 |
| Professional education | 2,299 | 4,165 |
| Patient services | 1,916 | 2,777 |
| Community services | 1,916 | 2,777 |
| General and administrative | 213 | 9,204 |
| Fundraising and development | <u>17,640</u> | <u>14,043</u> |
| Totals | <u>\$25,516</u> | <u>\$37,132</u> |

Note 10 – Commitments and contingencies

The Foundation leases its office space under a noncancelable operating lease expiring on December 31, 2009. Minimum required lease payments for the years ending June 30, total as follows:

| | |
|--|-------------------------|
| 2008 | \$ 51,601 |
| 2009 | 51,601 |
| 2010 | <u>25,800</u> |
| Total minimum required lease payments | <u>\$129,002</u> |

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Note 10 – Commitments and contingencies (continued)

The Foundation leases certain office equipment under noncancelable operating leases expiring through January 20, 2009. Minimum required lease payments for the years ending June 30, total as follows:

| | |
|---|---------------------|
| 2008 | \$12,322 |
| 2009 | 9,079 |
| 2010 | 4,538 |
| 2011 | 4,538 |
| 2012 | <u>4,158</u> |
| Total minimum required lease payments | <u>\$34,635</u> |

Under its agreement with the company that receives, processes and sells donated cars under the Kidney Cars Program, the Foundation receives the proceeds from sales, less certain fixed and variable fees, plus additional contributions. Consequently, the Foundation bears the risk of loss when the fees charged for processing and selling individual cars exceed their gross sales price.

The Foundation, sometimes in conjunction with NKF, provides research fellowships, generally spanning one to two years. As of June 30, 2007, the Foundation has outstanding research fellowships totaling \$22,500.