

PKD FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

**PKD FOUNDATION
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YEARS ENDED JUNE 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
PKD Foundation
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of PKD Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Foundation'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 Foundation'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.

Board of Trustees
PKD Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PKD Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
October 14, 2015

PKD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 618,526	\$ 237,537
Pledges Receivable - Net	473,862	1,093,223
Other Receivables	105,622	91,249
Prepaid Expenses	20,512	32,107
Deposits	4,934	1,589
Total Current Assets	1,223,456	1,455,705
INVESTMENTS	4,925,411	3,370,212
PROPERTY AND EQUIPMENT		
Equipment and Software	369,641	215,573
Less: Accumulated Depreciation	229,112	193,216
Total Property and Equipment	140,529	22,357
OTHER ASSETS		
Long-Term Pledges Receivable - Net	164,346	153,061
Lease Deposit	22,589	22,589
Total Other Assets	186,935	175,650
Total Assets	\$ 6,476,331	\$ 5,023,924
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 141,872	\$ 274,844
Research Grants	500,000	-
Software Contract	42,156	-
Accrued Liabilities	215,703	226,149
Total Current Liabilities	899,731	500,993
LONG-TERM LIABILITIES		
Software Contract	42,156	-
Total Liabilities	941,887	500,993
NET ASSETS		
Unrestricted	4,147,878	3,403,079
Temporarily Restricted	386,566	1,119,852
Permanently Restricted	1,000,000	-
Total Net Assets	5,534,444	4,522,931
Total Liabilities and Net Assets	\$ 6,476,331	\$ 5,023,924

See accompanying Notes to Financial Statements.

PKD FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015					2014			
	Unrestricted	Board Designated (Chapter Funds)	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Board Designated (Chapter Funds)	Temporarily Restricted	Total
REVENUES, GAINS, AND PUBLIC SUPPORT									
Contributions	\$ 3,177,642	\$ 1,874,464	\$ 1,241,492	\$ 1,000,000	\$ 7,293,598	\$ 3,056,153	\$ 2,195,655	\$ 1,328,820	\$ 6,580,628
Gifts-in-Kind	276,136	268,879	-	-	545,015	455,849	280,298	-	736,147
Special Events	134,431	-	-	-	134,431	122,977	-	6,080	129,057
Less Direct Costs	(54,452)	-	-	-	(54,452)	(41,742)	-	-	(41,742)
Miscellaneous Income	89	-	-	-	89	377	-	-	377
Investment Income - Net	7,014	-	-	-	7,014	3,224	-	-	3,224
Satisfaction of Purpose Restrictions	1,974,778	-	(1,974,778)	-	-	1,334,901	-	(1,334,901)	-
Total Revenues, Gains, and Public Support	5,515,638	2,143,343	(733,286)	1,000,000	7,925,695	4,931,739	2,475,953	(1)	7,407,691
EXPENSES									
Program Services:									
Research	1,966,442	535,836	-	-	2,502,278	1,752,681	742,786	-	2,495,467
Education and Support	414,267	1,242,791	-	-	1,657,058	346,896	1,387,585	-	1,734,481
Awareness and Advocacy	861,761	316,178	-	-	1,177,939	974,521	345,582	-	1,320,103
Total Program Services	3,242,470	2,094,805	-	-	5,337,275	3,074,098	2,475,953	-	5,550,051
Supporting Services:									
Administrative	895,403	-	-	-	895,403	967,367	-	-	967,367
Development	632,966	48,538	-	-	681,504	761,923	-	-	761,923
Total Supporting Services	1,528,369	48,538	-	-	1,576,907	1,729,290	-	-	1,729,290
Total Expenses	4,770,839	2,143,343	-	-	6,914,182	4,803,388	2,475,953	-	7,279,341
CHANGES IN NET ASSETS	744,799	-	(733,286)	1,000,000	1,011,513	128,351	-	(1)	128,350
Net Assets - Beginning of Year	3,403,079	-	1,119,852	-	4,522,931	3,274,728	-	1,119,853	4,394,581
NET ASSETS - END OF YEAR	<u>\$ 4,147,878</u>	<u>\$ -</u>	<u>\$ 386,566</u>	<u>\$ 1,000,000</u>	<u>\$ 5,534,444</u>	<u>\$ 3,403,079</u>	<u>\$ -</u>	<u>\$ 1,119,852</u>	<u>\$ 4,522,931</u>

See accompanying Notes to Financial Statements.

**PKD FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,011,513	\$ 128,350
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	35,895	17,645
Contributions Restricted for Long-Term Purposes	(1,000,000)	-
(Increase) Decrease in Assets:		
Pledges Receivable - Net	608,076	110,598
Other Receivables	(14,373)	(35,074)
Prepaid Expenses	11,595	22,646
Deposits	(3,345)	(939)
Increase (Decrease) in Liabilities:		
Accounts Payable - Trade	(142,171)	105,719
Research Grants Payable	500,000	(22,295)
Accrued Liabilities	(10,446)	85,531
Net Cash Provided by Operating Activities	996,744	412,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,154,023	3,037,114
Purchases of Investments	(5,709,222)	(3,392,247)
Purchases of Property and Equipment	(18,400)	(11,296)
Net Cash Used by Investing Activities	(1,573,599)	(366,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowment	1,000,000	-
Payments on Software Contracts	(42,156)	-
Net Cash Provided by Investing Activities	957,844	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,989	45,752
Cash and Cash Equivalents - Beginning of Year	237,537	191,785
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 618,526	\$ 237,537
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and Equipment Purchased with Liabilities	\$ 135,667	\$ -

See accompanying Notes to Financial Statements.

PKD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

EXPENSES	<u>Research</u>	<u>Education and Support</u>	<u>Awareness and Advocacy</u>	<u>Administrative</u>	<u>Development</u>	<u>Total Expenses</u>
Salaries and Benefits	\$ 281,440	\$ 725,547	\$ 640,809	\$ 635,983	\$ 425,162	\$ 2,708,941
Travel and Meetings	45,546	48,551	54,926	24,021	61,342	234,386
Printing/Postage/Telephone	10,126	51,397	80,878	25,594	61,373	229,368
Office Supplies	646	3,195	3,239	1,259	1,331	9,670
Dues/Fees/Publications/ Professional Development	1,925	3,206	14,319	5,860	14,478	39,788
Equipment and Software	4,951	13,994	10,555	10,741	21,357	61,598
Advertising and Education	-	67,146	128,820	-	-	195,966
Professional Fees	124,880	57,076	132,842	46,762	47,220	408,780
Bank and Credit Card Fees	-	-	-	75,787	-	75,787
Occupancy	29,918	73,031	63,918	65,042	42,535	274,444
Insurance	1,024	2,499	2,187	2,225	1,455	9,390
Conferences/Special Events/Awards	1,000	182,256	17,797	139	3,692	204,884
Grants and Sponsorships	1,856,950	-	-	-	-	1,856,950
External R&D Funding	142,699	-	-	-	-	142,699
Depreciation	1,173	3,524	27,649	1,990	1,559	35,895
Chapters	-	425,636	-	-	-	425,636
TOTAL EXPENSES	<u>\$ 2,502,278</u>	<u>\$ 1,657,058</u>	<u>\$ 1,177,939</u>	<u>\$ 895,403</u>	<u>\$ 681,504</u>	<u>\$ 6,914,182</u>

See accompanying Notes to Financial Statements.

PKD FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	<u>Research</u>	<u>Education and Support</u>	<u>Awareness and Advocacy</u>	<u>Administrative</u>	<u>Development</u>	<u>Total Expenses</u>
EXPENSES						
Salaries and Benefits	\$ 249,622	\$ 709,693	\$ 660,814	\$ 710,941	\$ 482,088	\$ 2,813,158
Travel and Meetings	63,186	57,024	53,517	23,381	64,563	261,671
Printing/Postage/Telephone	10,648	35,770	94,676	29,605	57,435	228,134
Office Supplies	609	4,969	8,300	1,387	1,792	17,057
Dues/Fees/Publications/ Professional Development	1,485	2,428	10,488	8,050	18,350	40,801
Equipment and Software	4,880	13,234	12,365	13,723	10,513	54,715
Advertising and Education	-	25,994	168,830	-	-	194,824
Professional Fees	243,235	80,080	221,269	34,827	64,310	643,721
Bank and Credit Card Fees	-	-	-	69,138	-	69,138
Occupancy	25,262	68,513	64,011	71,043	46,654	275,483
Insurance	824	2,235	2,088	2,318	1,522	8,987
Conferences/Special Events/Awards	98	256,334	16,405	404	12,634	285,875
Grants and Sponsorships	1,482,779	-	-	-	-	1,482,779
External R&D Funding	411,544	-	-	-	-	411,544
Depreciation and Amortization	1,295	4,398	7,340	2,550	2,062	17,645
Chapters	-	473,809	-	-	-	473,809
TOTAL EXPENSES	<u>\$ 2,495,467</u>	<u>\$ 1,734,481</u>	<u>\$ 1,320,103</u>	<u>\$ 967,367</u>	<u>\$ 761,923</u>	<u>\$ 7,279,341</u>

See accompanying Notes to Financial Statements.

PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PKD Foundation (the Foundation) was formed in 1982 as a Missouri not-for-profit organization to support scientific research into the cause, treatment and cure of polycystic kidney disease (PKD). Originally formed as PKR Foundation, the Foundation amended its articles in 2001 to change its name to PKD Foundation. In 2009, the Foundation adopted a new vision statement that “no one suffers the full effects of polycystic kidney disease” and a new mission statement to “promote programs of research, advocacy, education, support and awareness in order to discover treatments and a cure for polycystic kidney disease and improve the lives of all it affects.” The Foundation operates from an administrative office in Kansas City, Missouri, but conducts fundraising and funds research throughout the United States, Canada, Europe, and Japan. Significant accounting policies followed by the Foundation are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Foundation’s financial statements include the timing and collectability of pledges receivable, the fair value of certain gifts-in-kind, and the functional allocation of expenses. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation of net assets follows the recommendations of Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. This category includes board designated assets (Chapter Funds).

Temporarily Restricted

Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

**PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions and Pledges Receivable

Contributions, including promises to give, are recorded and recognized as income when they become unconditional. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give, due in future years, are reflected as long-term promises to give and are recorded at their net realizable value, discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

The majority of the promises to give are received from a broad base of Foundation contributors as a result of the annual campaign. An allowance for uncollectible pledges is provided based upon management's evaluation of the collectability of each individual pledge and an analysis of historical collection percentages. The allowance is established through a charge against general contribution revenue.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, whether when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Other Receivables

Other receivables are uncollateralized obligations due mainly from program service customers and contributions made by credit card payment. The receivables are stated at the invoice amount, as no finance charges are added to the balances. No provision for doubtful accounts has been provided as all accounts are considered collectible. Payments on other receivables are applied to the specific invoices identified on the remittance advice, or if unspecified, to the earliest unpaid invoices.

**PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets (Chapter Funds)

The Foundation has organized volunteer Chapters located in various cities throughout the United States for the purposes of providing public and patient information and support, education concerning PKD, and assistance in raising funds for mission-related expenses. Funds raised by the individual volunteer Chapters, net of reimbursements of certain direct expenses incurred by those Chapters, are expended for programs of research, advocacy, education, support and awareness. Funds raised by the Chapters that remain unspent at the balance sheet date are classified as board designated unrestricted net assets by the Foundation. There were no board designated net assets at June 30, 2015 or 2014.

Research Grants

The Foundation funds biomedical research projects directed towards the cause, treatment, and cure of PKD. Grants are recognized when awarded and no longer subject to any contingencies.

Gifts-In-Kind

Gifts-in-kind consist of donated goods and services such as board travel, advertising, and miscellaneous items used for special events. All such gifts are recorded at their estimated fair value at the date of the donation.

The Foundation recognizes the fair value of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed time not meeting the criteria outlined above is not accumulated or reflected in these statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and services benefited using formulas determined by management to best reflect the true costs of each applicable program.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Office equipment and software is recorded at cost or, if donated, at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation follows the practice of capitalizing all expenditures for equipment and software in excess of \$1,500. These assets are depreciated on the straight-line method over their estimated useful lives, ranging from three to seven years.

Cash and Cash Equivalents

The Foundation considers all cash and other highly liquid investments having initial maturities of three months or less to be cash equivalents, with the exception of those that are designated to be an integral part of the investment portfolio. Certain cash equivalents are considered to be an integral part of the Foundation's investment program and are, accordingly, recognized as a component of investments on the balance sheets.

Investments

Investments include investment specific cash equivalents, money market funds, and certificates of deposit that are reported at cost, which approximates fair value.

Income Taxes

The Foundation is exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation does not operate as a private foundation.

Although it is exempt from federal and state income taxes on its principal operations, the Foundation is subject to federal income taxes on the net income from any operations identified by the Internal Revenue Service to generate unrelated business income. No such unrelated business income tax was incurred during 2015 or 2014. The Foundation follows the standards for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs

The Foundation operates the following on-going programs:

Research

Since its founding in 1982, the Foundation has invested more than \$40 million in research, clinical and scientific grants, as well as fellowships and scientific meetings, making it the second largest funder of polycystic kidney disease (PKD) research after the National Institutes of Health (NIH). This has led to new discoveries about PKD, including identifying the genes responsible for PKD, which enables researchers to investigate possible treatments. In 2010, the PKD Foundation launched the Accelerating Treatments to Patients (ATP) initiative, a comprehensive, integrated research and development program that represents the core of our work. ATP aims to speed up development of treatments which could slow or stop the progression of PKD. Each of the programs within ATP is important and interconnected. Initiatives included in research are outlined below.

Research Grants: Grant funding to PKD researchers who focus on the development of a treatment for PKD or on understanding the way in which cysts develop or enlarge in PKD.

Core Grants: Supporting core research grants services and resources for PKD scientists so that Foundation dollars can be leveraged across the PKD research community.

Drug Repurposing: Testing drug candidates to see if they can treat PKD.

PKD Outcomes Consortium Project (PKDOC): Working with the U.S. Food and Drug Administration (FDA) for regulatory approval to use total kidney volume (TKV) as an indicator for human clinical trials - a more appropriate measure of disease progression in ADPKD.

Scientific Meetings: Funding PKD-related meetings that bring experts together and provide continuing education for health professionals.

Tissue Donation: Coordinating donations of discarded PKD kidneys to research labs, allowing individuals to actively participate and support discovery research.

Clinical Trial Awareness Program (CTAP): Supporting participation in clinical trials by raising awareness through PKD Foundation patients, families and healthcare professionals.

**PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Education and Support

The Foundation provides local services through its more than 60 volunteer-run Chapters across the country. These volunteers bring to life the mission of the organization by ensuring that no one faces this disease alone. Education meetings provide valuable information from health care professionals, while support activities range from lending a listening ear to organized group outings.

Chapters raise funds for the Foundation through events like Cocktails for a Cure and the Walk for PKD, the Foundation's signature event to raise funds and awareness. Walks take place in more than 50 cities across the nation each year and have raised nearly \$24 million since 2000.

On a national level, the Foundation provides in-depth resources and education about living with PKD to empower people to manage their health. Offerings include webinars, videos, a multi-faceted website (pkdcure.org/learn), online communities and print materials. The biennial PKD National Convention is the Foundation's largest education event.

Awareness and Advocacy

The Foundation raises awareness through marketing and public relations so people know what PKD is, understand the Foundation's services, and can learn how to support the Foundation's mission. Marketing materials include PKD Progress magazine, PKDnews monthly email newsletter, social media, blogs and pkdcure.org. Voices of PKD (pkdcure.org/voicesofpkd) features testimonials and stories about people's experiences with the disease.

The Foundation plays a key role in legislative advocacy to support PKD-related initiatives. The PKD Advocacy Action Center (pkdcure.org/advocate) provides resources and ways for people to advocate, and the Foundation sends Advocacy Alerts for legislative and public policy issues impacting PKD patients and families. The Foundation joins with other kidney disease-related organizations in events that allow advocates to meet with members of Congress to raise awareness of PKD and discuss legislative priorities.

PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 INVESTMENTS

Investments include investment specific cash equivalents, money market funds, and certificates of deposit Net investment returns were \$7,014 and \$3,224 for the years ended June 30, 2015 and 2014, respectively. Included in investments are the following:

	2015	2014
Money Market Funds	\$ 2,724,411	\$ 1,524,312
Certificates of Deposit	2,201,000	1,845,900
Total Investments	<u>\$ 4,925,411</u>	<u>\$ 3,370,212</u>

NOTE 3 PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give:

	2015	2014
Total Pledges Receivable	\$ 668,132	\$ 1,277,500
Less: Unamortized Discount	11,654	15,589
Less: Allowance for Uncollectible Pledges	18,270	15,627
Net Pledges Receivable	638,208	1,246,284
Less: Net Pledges Receivable, Current Portion	473,862	1,093,223
Net Pledges Receivable, Long-Term	<u>\$ 164,346</u>	<u>\$ 153,061</u>

Interest was imputed in discounting long-term pledges receivable at rates ranging from 2.07% to 3.00%.

Pledges are due in future years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 492,132
2017	52,000
2018	32,000
2019	32,000
2020	32,000
Thereafter	28,000
Total	<u>\$ 668,132</u>

The Foundation has been notified that it is designated as a beneficiary of numerous wills and trusts. These gifts are revocable and are not recognized within the accompanying financial statements due to their conditional nature.

PKD FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 LEASE COMMITMENTS

The Foundation leases software under the terms of a capital lease, which requires annual payments of \$42,156, at a 0% interest rate. The lease matures December 18, 2017. The cost of the asset acquired under the capital lease is \$126,468 and \$-0- at June 30, 2015 and 2014, respectively. Related accumulated depreciation is \$22,343 at June 30, 2015. Minimum future lease payments under the capital lease, at June 30, 2015, for each of the remaining years in the aggregate are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 42,156
2017	42,156
Total	<u>\$ 84,312</u>

The Foundation leases office space under the terms of an operating lease that expires in February 2017, which provides for the following minimum annual lease payments for the years ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 271,073
2017	180,715
Total	<u>\$ 451,788</u>

Lease expense for the office space totaled \$274,443 and \$275,483 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
ADPKD Research & Drug Repurposing	\$ 167,319	\$ 595,766
Polycystic Liver Disease Research	175,497	419,597
Patient Education Initiatives	33,836	98,989
ARPKD Research	7,414	-
Transplant-related Initiatives	2,500	-
Marketing Consulting	-	5,500
Total	<u>\$ 386,566</u>	<u>\$ 1,119,852</u>

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 consisted of a contribution that subsequently established the James M. and Lucille Kemp Carnes Family Endowment. The primary purpose of the endowment is to provide financial support to advance PKD research and therapy development in order to carry out the Foundation's roles and missions. The endowment was not formally established until September 2015.

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NOTE 7 ALLOCATION OF JOINT COSTS

The Foundation conducts activities which incur joint costs not specifically related to any one component of its activities. Those costs include direct mail campaigns and other similar activities. The cost of conducting those activities totaled \$87,309 and \$84,512 for the years ended June 30, 2015 and 2014, respectively. These joint costs were allocated as follows:

	2015	2014
Development	\$ 51,473	\$ 49,333
Awareness and Advocacy	26,877	26,384
Research	8,959	8,795
Total	<u>\$ 87,309</u>	<u>\$ 84,512</u>

NOTE 8 DEFERRED ANNUITY

The Foundation provides its employees with a tax-deferred annuity (the Plan) under the provisions of Internal Revenue Code Section 403(b). Contributions to the Plan are calculated at 7.5% of eligible employees' salaries. Contributions to the Plan for the years ended June 30, 2015 and 2014 amounted to \$136,883 and \$130,872, respectively.

NOTE 9 CONTRACTUAL SERVICES

The Foundation contracted with Insperity in a client service agreement effective July 1, 2008 to engage in a co-employment relationship with the Foundation. Insperity provided personnel management services to the Foundation's employees including payment of salaries, wages, payroll taxes, employee benefits, and procurement of workers' compensation insurance and administration of claims. The Foundation paid \$252,645 and \$2,548,718 including salaries, benefits, and services to Insperity for the years ended June 30, 2015 and 2014, respectively. The Foundation terminated this agreement in August 2014.

The Foundation contracted with ADP Totalsource, Inc. (ADP) in a client service agreement effective August 1, 2014 to engage in a co-employment relationship with the Foundation. ADP provides personnel management services to the Foundation's employees including payment of salaries, wages, payroll taxes, employee benefits, and procurement of workers' compensation insurance and administration of claims. The Foundation paid \$2,257,369 including salaries, benefits, and services to ADP for the year ended June 30, 2015.

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NOTE 10 CONCENTRATIONS

Approximately 64% of the Foundation's pledges receivable at June 30, 2015 were from four donors. Approximately 30% of the Foundation's pledges receivable at June 30, 2014 were from three donors.

Approximately 13% of the Foundation's revenue for the year ended June 30, 2015 was from one donor.

The Foundation maintains cash balances at one bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to specified limits. The Foundation had uninsured balances totaling \$392,252 and \$-0- at June 30, 2015 and 2014, respectively. The uninsured balance at June 30, 2015 was intentional in anticipation of mailing \$500,000 in research grant checks on July 1, 2015.

NOTE 11 COMMITMENTS

The Foundation entered into an agreement for professional services in March 2015. The future commitment related to the agreement was \$53,335 at June 30, 2015.

The Foundation entered into an agreement for marketing services in May 2015. The future commitment related to the agreement was \$99,840 at June 30, 2015.

NOTE 12 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 14, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to October 14, 2015 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015.