

**PKD FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
PKD Foundation  
Kansas City, Missouri

We have audited the accompanying financial statements of PKD Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

**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, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* and Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to the matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Joseph, Missouri  
October 26, 2020

**PKD FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 837,660	\$ 560,278
Pledges Receivable - Net	1,022,553	1,045,403
Other Receivables	53,985	26,148
Prepaid Expenses	246,080	12,805
Deposits	-	1,475
Total Current Assets	2,160,278	1,646,109
<b>INVESTMENTS</b>	17,098,665	6,361,525
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold Improvements	69,356	69,356
Equipment and Software	1,041,122	916,222
Less: Accumulated Depreciation	428,139	245,461
Total Property and Equipment	682,339	740,117
<b>OTHER ASSETS</b>		
Long-Term Pledges Receivable - Net	953,017	1,843,182
Lease Deposit	15,533	15,533
Total Other Assets	968,550	1,858,715
Total Assets	\$ 20,909,832	\$ 10,606,466
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable:		
Trade	\$ 293,071	\$ 111,600
Research Grants	400,000	-
Lease Payable	108,179	134,021
Refundable Advances	1,441,378	1,000,000
Deferred Rent	24,911	19,652
Accrued Liabilities	103,133	92,040
Accrued Interest	895	-
Current Portion of Note Payable	174,985	-
Total Current Liabilities	2,546,552	1,357,313
<b>LONG-TERM LIABILITIES</b>		
Deferred Rent	92,582	117,493
Lease Payable	247,500	377,604
Note Payable, Less Current Portion	222,815	-
Research Grants	-	-
Total Liabilities	3,109,449	1,852,410
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Operating	400,493	920,490
Board-Designated	4,230,361	3,597,077
Total Without Donor Restrictions	4,630,854	4,517,567
With Donor Restrictions:		
Time Restrictions	1,975,570	2,888,585
Purpose Restrictions	10,193,959	347,904
Perpetual in Nature	1,000,000	1,000,000
Total With Donor Restrictions	13,169,529	4,236,489
Total Net Assets	17,800,383	8,754,056
Total Liabilities and Net Assets	\$ 20,909,832	\$ 10,606,466

See accompanying Notes to Financial Statements.

**PKD FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>						
Contributions	\$ 3,984,010	\$ 11,667,047	\$ 15,651,057	\$ 4,047,910	\$ 2,255,363	\$ 6,303,273
Gifts-in-Kind	448,859	-	448,859	575,636	-	575,636
Miscellaneous Income	3,372	-	3,372	35,173	-	35,173
Investment Income - Net	224,364	16,603	240,967	152,542	43,759	196,301
Unrealized Gain on Investments, Net	142,307	11,981	154,288	94,782	25,950	120,732
Satisfaction of Purpose Restrictions	1,580,112	(1,580,112)	-	3,210,583	(3,210,583)	-
Satisfaction of Time Restrictions	1,182,479	(1,182,479)	-	1,003,960	(1,003,960)	-
Total Revenues, Gains, and Public Support	7,565,503	8,933,040	16,498,543	9,120,586	(1,889,471)	7,231,115
<b>EXPENSES</b>						
Program Services:						
Research	2,873,556	-	2,873,556	3,691,209	-	3,691,209
Education and Support	1,135,988	-	1,135,988	1,142,730	-	1,142,730
Awareness and Advocacy	1,554,295	-	1,554,295	1,633,100	-	1,633,100
Total Program Services	5,563,839	-	5,563,839	6,467,039	-	6,467,039
Supporting Services:						
Administrative	835,062	-	835,062	1,013,125	-	1,013,125
Development	1,053,315	-	1,053,315	1,040,573	-	1,040,573
Total Supporting Services	1,888,377	-	1,888,377	2,053,698	-	2,053,698
Total Expenses	7,452,216	-	7,452,216	8,520,737	-	8,520,737
<b>CHANGES IN NET ASSETS</b>	113,287	8,933,040	9,046,327	599,849	(1,889,471)	(1,289,622)
Net Assets - Beginning of Year	4,517,567	4,236,489	8,754,056	3,917,718	6,125,960	10,043,678
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,630,854</u>	<u>\$ 13,169,529</u>	<u>\$ 17,800,383</u>	<u>\$ 4,517,567</u>	<u>\$ 4,236,489</u>	<u>\$ 8,754,056</u>

See accompanying Notes to Financial Statements.

**PKD FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

<b>EXPENSES</b>	<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	\$ 704,850	\$ 540,089	\$ 720,582	\$ 667,800	\$ 460,694	\$ 3,094,015
Travel and Meetings	71,746	13,140	43,545	-	46,242	174,673
Printing/Postage/Telephone	18,259	13,516	43,599	4,921	6,406	86,701
Office Supplies	2,411	1,442	2,285	1,641	1,486	9,265
Dues/Fees/Publications/ Professional Development	6,067	1,945	8,140	21,558	13,463	51,173
Equipment and Software	12,138	25,323	-	-	13,581	51,042
Advertising and Education	56,675	-	116,409	-	14,200	187,284
Professional Fees	331,918	143,558	353,694	34,549	247,551	1,111,270
Bank and Credit Card Fees	11,273	7,988	11,322	9,428	7,619	47,630
Occupancy	51,189	56,271	58,408	42,810	34,533	243,211
Insurance	4,602	3,261	4,622	3,849	3,105	19,439
Conferences/Special Events/Awards	109	299,738	147,965	209	148,059	596,080
Grants and Sponsorships	-	-	-	-	22,261	22,261
External R&D Funding	1,572,096	-	-	-	-	1,572,096
Depreciation and Amortization	30,223	29,717	43,724	48,297	34,115	186,076
<b>Total Functional Expenses</b>	<b><u>\$ 2,873,556</u></b>	<b><u>\$ 1,135,988</u></b>	<b><u>\$ 1,554,295</u></b>	<b><u>\$ 835,062</u></b>	<b><u>\$ 1,053,315</u></b>	<b><u>\$ 7,452,216</u></b>

See accompanying Notes to Financial Statements.

**PKD FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

<b>EXPENSES</b>	<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	\$ 503,085	\$ 539,146	\$ 728,578	\$ 801,503	\$ 555,347	\$ 3,127,659
Travel and Meetings	90,470	57,781	83,104	-	76,802	308,157
Printing/Postage/Telephone	22,455	42,757	65,008	13,459	10,780	154,459
Office Supplies	3,197	3,332	15,882	5,048	4,717	32,176
Dues/Fees/Publications/ Professional Development	2,452	4,515	9,776	24,152	8,755	49,650
Equipment and Software	5,381	7,303	17,833	8,449	15,284	54,250
Advertising and Education	-	-	115,536	-	-	115,536
Professional Fees	349,937	50,295	389,743	58,228	187,873	1,036,076
Bank and Credit Card Fees	10,725	10,545	15,515	17,138	12,105	66,028
Occupancy	26,192	56,669	44,665	40,500	30,203	198,229
Insurance	3,549	9,183	5,134	5,671	4,006	27,543
Conferences/Special Events/Awards	14,355	122,499	273	997	205	138,329
Grants and Sponsorships	103,500	215,337	107,669	-	107,669	534,175
External R&D Funding	2,532,144	-	-	-	-	2,532,144
Depreciation and Amortization	23,767	23,368	34,384	37,980	26,827	146,326
<b>Total Functional Expenses</b>	<b><u>\$ 3,691,209</u></b>	<b><u>\$ 1,142,730</u></b>	<b><u>\$ 1,633,100</u></b>	<b><u>\$ 1,013,125</u></b>	<b><u>\$ 1,040,573</u></b>	<b><u>\$ 8,520,737</u></b>

See accompanying Notes to Financial Statements.



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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 9,046,327	\$ (1,289,622)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	186,077	146,326
(Gain) Loss on Sale of Investments	54,153	(71,843)
Unrealized Gain on Investments	(154,288)	(120,732)
(Increase) Decrease in Assets:		
Pledges Receivable - Net	913,015	883,523
Other Receivables	(27,837)	(13,861)
Inventory	-	-
Prepaid Expenses	(233,275)	(4,716)
Deposits	1,475	(50)
Increase (Decrease) in Liabilities:		
Accounts Payable - Trade	181,471	(238,178)
Research Grants Payable	400,000	-
Refundable Advances	441,378	400,000
Deferred Rent	(19,652)	(13,818)
Accrued Liabilities	11,988	(78,980)
Net Cash Provided (Used) by Operating Activities	10,800,832	(401,951)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	15,551,572	1,469,294
Purchases of Investments	(26,188,577)	(555,969)
Purchases of Property and Equipment	(128,299)	(120,590)
Net Cash Provided (Used) by Investing Activities	(10,765,304)	792,735
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Lease	(155,946)	(58,590)
Proceeds from Long-Term Debt	397,800	-
Net Cash Used by Financing Activities	241,854	(58,590)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	277,382	332,194
Cash and Cash Equivalents - Beginning of Year	560,278	228,084
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 837,660	\$ 560,278
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Leasehold Improvements Provided by Landlord	\$ -	\$ 60,000
Property and Equipment Purchased with Lease Payable	\$ -	\$ 427,500

See accompanying Notes to Financial Statements.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

PKD Foundation (the Foundation) was formed in 1982 as a Missouri nonprofit 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 two classes of net assets. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This category includes board-designated assets (Chapter Funds and Board-Designated Endowment).

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions, Pledges Receivable, and Refundable Advances**

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.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as satisfaction of purpose or time restrictions.

Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Until that point, any amounts received are reported as refundable advance.

**Revenue Recognition**

Revenue is recognized when earned. Exchange transaction revenue from program services are recognized proportionately to when the service is provided, thus, monies received before the program begins are classified as deferred revenues.

**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.

**Research Grant Expense**

The Foundation funds biomedical research projects directed towards the cause, treatment, and cure of PKD. The Foundation recognizes grant expense when a barrier or right of return or release no longer exists. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. Grants that are unconditional but unpaid at year-end are reported as liabilities.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Property and Equipment**

Leasehold improvements, 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 3 to 7 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 statements of financial position.

**PKD FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments include equity and fixed income mutual funds, corporate bonds and alternative investments, which are carried at fair value, with unrealized and realized gains and losses on investments reported as increases or decreases in net assets based upon the presence or absence of donor-imposed restrictions. 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 2020 or 2019. The Foundation follows the standards for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

**Deferred Rent**

For lease agreements that provide for escalating rent payments or free-rent occupancy periods, the Foundation recognizes rent expense on the straight-line basis over the noncancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonable assured. Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis over the life of the lease.

**New Accounting Pronouncements Effective in Future Accounting Period**

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of position and disclosing key information about leasing arrangements. Since the original issuance, FASB has voted to delay the effective date of ASU 2016-02, making it effective for the year ending June 30, 2023. Management will be evaluating the effects of this new standard.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs**

The Foundation operates the following ongoing programs:

**Research**

Since its founding in 1982, the Foundation has invested more than \$50 million in research, clinical and scientific grants, awards, fellowships and scientific meetings, making it the largest private funder of polycystic kidney disease (PKD) research. The Foundation's financial commitment over the years has seen results on a local, national and even global level, including initiating funding for young investigations from around the world; supporting innovative research ideas; and providing seed funding to research to allow researchers world-wide to apply for larger National Institute of Health (NIH) grants. Initiatives included in research are outlined below:

*Research Grants:* Support for basic laboratory research aimed at increasing understanding of the genetic and pathological processes involved in PKD as well as research with an obvious or direct potential to accelerate the development of potential therapies.

*Research Fellowship:* Support and recognize early-career scientists whose achievements and potential identify them as rising stars – the next generation of scientific leaders in PKD research. Our fellowships aim to attract promising trainees who will obtain significant research experience as they initiate and – we hope – spend long and productive careers in PKD research.

*PKD Outcomes Consortium Project (PKDOC):* A significant collaboration between the Foundation, Critical Path Institute, representatives of the pharmaceutical industry, PKD clinicians, and the U.S. Food and Drug Administration (FDA). It was created to facilitate clinical trial development for PKD therapies by establishing a clear regulatory pathway for the pharmaceutical industry to evaluate the effectiveness of potential treatments.

*ADPKD Registry:* An online, direct-to-patient, longitudinal Registry for individuals diagnosed with ADPKD in the United States. The Registry also provides targeted clinical study recruitment for both academic and industry-sponsored studies in patients.

**Education and Support**

The PKD Foundation supports the PKD Community through more than 55 volunteer-led Chapters across the United States. Chapters provide meaningful opportunities for the local community to gather together to learn from experts or in support of each other. 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 \$33 million since 2000.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs (Continued)**

Education and Support (Continued)

On a national level, the PKD Foundation empowers PKD patients and caregivers to manage PKD while maintaining a high quality of life. The Foundation provides resources across the continuum of disease progression for patients, caregivers, parents, etc. Resources include webinars, enduring webcasts, videos, a comprehensive website (pkdcure.org/learn), handbooks and other print materials. The annual PKD national conference (PKDCon) is the Foundation's largest education event bringing together the entire PKD community including, patients, caregivers, volunteers, researchers and clinicians.

Awareness and Advocacy

The Foundation uses marketing to increase disease awareness, promote the Foundation's services, and inspire the public to support the Foundation's mission. Marketing materials include PKD Life magazine, a monthly email newsletter, social media, the PKD Blog, and pkdcure.org. In addition, Foundation representatives and volunteers directly engage legislators to encourage support of legislation that increases funding for and awareness of PKD. The Foundation advocates for PKD patients in policymaking, drug development, and regulatory decision-making at the Congressional and federal level. Our goals are to raise awareness and further legislation, regulation, and federal funding opportunities that improve the lives of everyone in the PKD community.

**NOTE 2 CHANGE IN ACCOUNTING PRINCIPLE**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation's financial statements reflect the application of ASC 606 guidance beginning in July 1, 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Foundation's reported historical revenue.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)**

In 2019, the Foundation adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update clarified and improved guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. There is no material impact on the financial statements, as such, there have been no related reclassifications on previously presented change in net assets or total net assets.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash for fiscal year 2020.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 837,660	\$ 560,278
Investments	17,098,665	6,361,525
Current Pledges Receivable - Net	1,022,553	1,045,403
Other Receivables	<u>53,985</u>	<u>26,148</u>
Total Financial Assets	19,012,863	7,993,354
Contractual or Donor Imposed Restrictions:		
Purpose Restricted Cash	(825,986)	(347,904)
Endowment Fund Investments	<u>(10,367,973)</u>	<u>(1,000,000)</u>
Total Restriction Imposed	(11,193,959)	(1,347,904)
Board-Designations:		
Operating Reserves and Endowments	<u>(4,230,361)</u>	<u>(3,597,077)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 3,588,543</u>	<u>\$ 3,048,373</u>



**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although the Foundation does not intend to spend from the board-designated endowment, these amounts could be made available if necessary.

**NOTE 4 FAIR VALUE MEASUREMENTS**

In determining fair value, the Foundation uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

*Level 2* – Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

**Equity and Fixed Income Mutual Funds**

Fair value of equity and fixed income mutual funds is determined based on daily quoted market prices. These are classified as investments valued using Level 1 inputs within the valuation hierarchy.

**Corporate Stocks**

Fair value of corporate stocks is determined based on daily quoted market prices. These are classified as investments valued using Level 1 inputs within the valuation hierarchy.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Corporate Bonds**

Fair value of corporate bonds is determined based on quoted market prices. These are classified as investments valued using Level 2 inputs within the valuation hierarchy.

**Alternative Mutual Funds**

Fair value of alternative mutual funds is determined based on quoted market prices. These are classified as investments valued using Level 1 inputs within the valuation hierarchy.

**Governmental Securities**

Fair value of governmental securities is determined based on quoted market prices. These are classified as investments valued using Level 2 inputs within the valuation hierarchy.

Fair values of assets and liabilities measured on a recurring basis, as of June 30, 2020, are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Mutual Funds:				
Equity	\$ 7,925,664	\$ 7,925,664	\$ -	\$ -
Fixed Income	1,248,372	1,248,372	-	-
Alternative	194,382	194,382	-	-
Corporate Bonds	876,497	-	876,497	-
Corporate Stocks	3,527,062	3,527,062	-	-
Government Securities	921,196	-	921,196	-
Total	<u>\$ 14,693,173</u>	<u>\$ 12,895,480</u>	<u>\$ 1,797,693</u>	<u>\$ -</u>

Fair values of assets and liabilities measured on a recurring basis, as of June 30, 2019, are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Mutual Funds:				
Equity	\$ 2,837,495	\$ 2,837,495	\$ -	\$ -
Fixed Income	1,203,045	1,203,045	-	-
Corporate Bonds	524,560	-	524,560	-
Alternative Investments:				
Broadly Diversified	386,787	386,787	-	-
Real Estate	72,843	72,843	-	-
Total	<u>\$ 5,024,730</u>	<u>\$ 4,500,170</u>	<u>\$ 524,560</u>	<u>\$ -</u>

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5 INVESTMENTS**

Investments at June 30, 2020 are as follows:

	Original Cost or Basis	Carrying Value	Excess (Deficiency) of Carrying Value Over Original Cost or Basis
Money Market Funds	\$ 2,329,780	\$ 2,329,780	\$ -
Certificates of Deposit	75,558	75,711	153
Corporate Bonds	815,607	876,497	60,890
Corporate Stock	3,129,742	3,527,062	397,320
Equity Mutual Funds	7,776,311	7,925,664	149,353
Fixed Income Mutual Funds	1,249,455	1,248,372	(1,083)
Alternative Mutual Funds	193,345	194,382	1,037
Government Securities	905,107	921,197	16,090
Total Investments	<u>\$ 16,474,905</u>	<u>\$ 17,098,665</u>	<u>\$ 623,760</u>

Investments at June 30, 2019 are as follows:

	Original Cost or Basis	Carrying Value	Excess of Carrying Value Over Original Cost or Basis
Money Market Funds	\$ 1,336,795	\$ 1,336,795	\$ -
Equity Mutual Funds	2,397,519	2,837,495	439,976
Fixed Income Mutual Funds	1,183,561	1,203,045	19,484
Corporate Bonds	524,134	524,560	426
Alternative Mutual Funds	450,044	459,630	9,586
Total Investments	<u>\$ 5,892,053</u>	<u>\$ 6,361,525</u>	<u>\$ 469,472</u>

Investment returns for the year ended June 30, 2020 and 2019 are as follows:

	2020	2019
Investment Income	\$ 335,777	\$ 145,688
Net Realized (Loss) Gain	(54,153)	71,843
Net Unrealized Gain	154,288	120,732
Investment Fees	(40,657)	(21,230)
Net Investment Return	<u>\$ 395,255</u>	<u>\$ 317,033</u>

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 PLEDGES RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Total Pledges Receivable	\$ 1,978,409	\$ 2,954,088
Less: Unamortized Discount	2,592	65,256
Less: Allowance for Uncollectible Pledges	<u>247</u>	<u>247</u>
Net Pledges Receivable	1,975,570	2,888,585
Less: Net Pledges Receivable, Current Portion	<u>1,022,553</u>	<u>1,045,403</u>
Net Pledges Receivable, Long-Term	<u>\$ 953,017</u>	<u>\$ 1,843,182</u>

Interest was imputed in discounting long-term pledges receivable at rates of 0.17% for the year ended June 30, 2020 and 1.75% for the year ended June 30, 2019.

Pledges are due in future years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,022,800
2022	873,237
2023	36,000
2024	35,372
2025	<u>11,000</u>
Total	<u>\$ 1,978,409</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.

**NOTE 7 LEASES**

The Foundation leases software under the terms of a capital lease, which requires varying monthly payments, at a 0% interest rate. The lease matures April 11, 2021. The cost of the asset acquired under the capital lease is \$155,491. Related accumulated depreciation was \$116,620 and \$64,789 at June 30, 2020 and 2019, respectively.

In March 2019, the Foundation entered into an agreement to lease software under the terms of a capital lease, which requires quarterly payments of \$22,500, at a 0% interest rate. The lease matures December 2023. The cost of the asset acquired under the capital lease is \$531,000. Related accumulated depreciation was \$132,750 and \$26,550 at June 30, 2020 and 2019.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 7 LEASES (CONTINUED)**

Future payments required under the capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 108,179
2022	90,000
2023	90,000
2024	67,500
Total	<u>355,679</u>
Less Amount Representing Interest	-
Present Value of Lease Payments	<u>\$ 355,679</u>

In March 2016, the Foundation entered into a lease agreement for office space with a lease term commencing August 2016, and expiring February 2024. The lease was amended effective August 2018 to include additional square footage, and a tenant improvement allowance of \$60,000 toward the space. Lease expense for this office space totaled \$212,005 and \$194,925 for the years ended June 30, 2020 and 2019, respectively. The Foundation has recognized a deferred rent liability totaling \$117,493 and \$137,145 at June 30, 2020 and 2019, respectively, in order to recognize lease expense on a straight-line basis over the term of the lease. Future minimum lease payments under the lease are as follows for the years ended June 30:

<u>Year Ending June 30,</u>	<u>Payment</u>	<u>Deferred Rent</u>
2021	\$ 223,091	\$ 24,911
2022	228,350	30,171
2023	233,609	35,430
2024	159,100	26,981
Total	<u>\$ 844,150</u>	<u>\$ 117,493</u>

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 NOTES PAYABLE**

On April 10, 2020, the Foundation was granted a Paycheck Protection Program (the PPP Loan) note through the Small Business Administration (SBA) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into federal law on March 29, 2020, totaling \$397,800 to fund payroll, rent, utilities and interest on mortgages and existing debt. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months, deferred for six months. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Foundation fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. As of June 30, 2020, the guidance required to file for loan forgiveness was not yet readily available from the SBA. To the extent that all or part of the PPP Loans are not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in April 2022, principal and interest payments will be required through the maturity.

At June 30, 2020, the future principal payments under the note are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 174,985
2022	222,815
Total	<u>\$ 397,800</u>

**NOTE 9 BOARD-DESIGNATED NET ASSETS**

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. During the year ended June 30, 2017, funds raised by the individual volunteer Chapters, net of reimbursements of certain direct expenses incurred by those Chapters, were expended for programs of research, advocacy, education, support, and awareness. Funds raised by the Chapters that remained unspent at the statement of financial position date were classified as board-designated net assets without donor restrictions by the Foundation. There were no board-designated net assets relating to Chapter funds at June 30, 2020 or 2019.

During the year ended June 30, 2018, the Chapter's donors began restricting these funds to be expended for research only. Funds raised by the Chapters that remained unspent at the statement of position date are classified as net assets with donor restrictions and are included in Note 10 below.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 BOARD-DESIGNATED NET ASSETS (CONTINUED)**

During the year ended June 30, 2016, the board of trustees designated \$1,700,000 of net assets to form the Laverne H. Duvall Endowment Fund. Earnings on the board-designated endowment are to be used to advance PKD research and therapy development. Additional bequests and donations have been added to the fund over time. The total balance of the board-designated portion of the endowment is \$4,230,361 and \$3,597,077 at June 30, 2020 and 2019, respectively.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets are restricted for the following reasons at June 30:

	<u>2020</u>	<u>2019</u>
Time Restrictions:		
Pledges Receivable	\$ 1,975,570	\$ 2,888,585
Purpose Restrictions:		
ADPKD Research and Drug Repurposing	9,811,776	-
ARPKD Research	352,280	347,904
Kaplan International Prizes for PKD Research	1,319	-
Endowment Earnings	<u>28,584</u>	<u>-</u>
Total Purpose Restrictions	10,193,959	347,904
Perpetual in Nature:		
James M. and Lucille Kemp Carnes Family Endowment	<u>1,000,000</u>	<u>1,000,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 13,169,529</u>	<u>\$ 4,236,489</u>

Perpetually restricted net assets at June 30, 2020 and 2019 consisted of a contribution that 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 formally established in September 2015.

**NOTE 11 ENDOWMENT**

The purpose of the Research Opportunity Fund and Named Endowments (collectively referred to as the endowments) is to provide for growth-oriented long-term investment of funds that are not needed to meet the day-to-day financial obligations of the Foundation. Unless otherwise designated by a donor, interest, dividends, and capital gains may be used to advance PKD research and therapy development. While not ideal or intended, unrestricted principal may also be used for the same purpose, subject to unanimous approval by the board of trustees (the board). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 11 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law**

The board has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation retains in perpetuity:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not retained in perpetuity is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**Return Objectives and Risk Parameters**

The Foundation has adopted investment objectives and spending policies for endowment assets that attempt to provide a predictable stream of funding. Measured over a market cycle (generally defined as 7 to 10 year rolling periods), the endowment assets are invested in a manner that is intended to equal or exceed a total return equal to the endowment's spending rate plus the Consumer Price Index (CPI) over a full market cycle, and to equal or exceed the relative return of a static, blended market index benchmark as determined by the endowment's strategic asset allocation targets.

**Spending Policy**

In order to provide an ongoing stream of income to support the Foundation's research activities, a percentage of the portfolio is distributed annually and appropriated to the Foundation's operating budget. The Foundation utilizes a moving average method of determining year-to-year spending in order to smooth distributions from the endowment. For purposes of determining the endowment's value, a three-year moving average of the endowment's quarterly fair market value will be applied (once the endowment has existed for more than three years).

The spending calculation is made annually and was 4% for the fiscal year ended June 30, 2020. In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Foundation expects the current spending policy will allow its endowment to retain its original corpus.



**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 ENDOWMENT (CONTINUED)**

**Volatility of Returns**

The Foundation understands that in order to achieve the endowment's investment objectives, the endowment will experience volatility of returns and fluctuations in market value. It further understands that the endowment could experience significant market value losses in any one-year period, but expects that losses over a full market cycle (7 to 10 years) to be a low probability. Therefore, the Foundation supports an investment strategy that minimizes the probability of large losses while acknowledging that the endowment's total return objective is its primary concern, and there is no guarantee that the endowment will not sustain larger than expected short-term losses in value.

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restriction	With Donor Restriction		Total
		Available for Spending	Original Gift	
Donor Restricted Endowment Funds:				
Held in Perpetuity:				
James M. and Lucille Kemp Carnes Family Endowment Funds	\$ -	\$ 28,583	\$ 1,000,000	\$ 1,028,583
Board-Designated Endowment				
Laverne H. Duvall Endowment	4,230,361	9,339,390	-	13,569,751
Total Funds	<u>\$ 4,230,361</u>	<u>\$ 9,367,973</u>	<u>\$ 1,000,000</u>	<u>\$ 14,598,334</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 :

	Without Donor Restriction	With Donor Restriction		Total
		Available for Spending	Original Gift	
Net Assets - Beginning of Year	\$ 3,597,077	\$ -	\$ 1,000,000	\$ 4,597,077
Investment Return:				
Investment Income	229,321	19,839	-	249,160
Net Appreciation	138,473	11,981	-	150,454
Investment Fees	(37,420)	(3,237)	-	(40,657)
Net	330,374	28,583	-	358,957
Contributions	302,910	9,339,390	-	9,642,300
Appropriation of Endowment				
Assets for Expenditure	-	-	-	-
Net Assets - End of Year	<u>\$ 4,230,361</u>	<u>\$ 9,367,973</u>	<u>\$ 1,000,000</u>	<u>\$ 14,598,334</u>

**PKD FOUNDATION  
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**NOTE 11 ENDOWMENT (CONTINUED)**

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction		Total
		Available for Spending	Original Gift	
Donor Restricted Endowment Funds:				
Held in Perpetuity:				
James M. and Lucille Kemp Carnes Family Endowment Funds	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Board-Designated Endowment				
Laverne H. Duvall Endowment	3,597,077	-	-	3,597,077
Total Funds	<u>\$ 3,597,077</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 4,597,077</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction		Total
		Available for Spending	Original Gift	
Net Assets - Beginning of Year	\$ 3,079,744	\$ -	\$ 1,000,000	\$ 4,079,744
Investment Return:				
Investment Income	132,121	49,550	-	181,671
Net Appreciation	69,193	25,950	-	95,143
Investment Fees	(15,440)	(5,791)	-	(21,231)
Net	185,874	69,709	-	255,583
Contributions	409,814	-	-	409,814
Appropriation of Endowment				
Assets for Expenditure	(78,355)	(69,709)	-	(148,064)
Net Assets - End of Year	<u>\$ 3,597,077</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 4,597,077</u>

**NOTE 12 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 \$208,477 and \$201,071 for the years ended June 30, 2020 and 2019, respectively. These joint costs were allocated as follows:

	2020	2019
Development	\$ 124,703	\$ 119,973
Awareness and Advocacy	62,831	60,825
Research	20,943	20,273
Total	<u>\$ 208,477</u>	<u>\$ 201,071</u>

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 13 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 9.5% of eligible employees' salaries. Contributions to the Plan for the years ended June 30, 2020 and 2019 amounted to \$180,686 and \$189,738 respectively.

**NOTE 14 CONTRACTUAL SERVICES**

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 \$2,780,227 and \$2,833,178 including salaries, benefits, and services to ADP for the years ended June 30, 2020 and 2019, respectively.

**NOTE 15 CONCENTRATIONS**

Approximately 87% of the Foundation's pledges receivable at June 30, 2020 were from four donors. Approximately 94% of the Foundation's pledges receivable at June 30, 2019 were from four donors.

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 \$590,419 at June 30, 2020.

**NOTE 16 COMMITMENTS**

The Foundation signed an agreement effective July 1, 2019 with a consultant to assist in publishing 12 issues of the PKD Foundation Magazine over three years. The remainder of the contract covers 10 issues totaling a commitment of \$700,000 in fixed costs and approximately \$337,500 in estimated variable cost at June 30, 2020.

**NOTE 17 ECONOMIC RISKS**

The Foundation's investment portfolio is subject to significant fluctuations in value. Because the values of individual investments fluctuate with market conditions, the amount of the investment gains or losses that the Foundation may recognize in its future financial statements, if any, cannot be determined.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 17 ECONOMIC RISKS (CONTINUED)**

During fiscal year 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the Foundation, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results, including a negative impact on earnings. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing subsequent to year-end.

**NOTE 18 SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 26, 2020, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to October 26, 2020 that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020.

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