

**PKD FOUNDATION  
Kansas City, Missouri**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**PKD FOUNDATION  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>

## 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, 2014 and 2013, 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, 2014 and 2013, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".**CliftonLarsonAllen LLP**

St. Joseph, Missouri

October 10, 2014

**PKD FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 237,537	\$ 191,785
Investments	3,370,212	3,015,079
Pledges Receivable - Net	1,093,223	760,654
Other Receivables	91,249	56,175
Prepaid Expenses	32,107	54,753
Deposits	1,589	650
Total Current Assets	4,825,917	4,079,096
<b>PROPERTY AND EQUIPMENT</b>		
Equipment and Software	215,573	271,844
Less Accumulated Depreciation	193,216	243,138
Total Property and Equipment	22,357	28,706
<b>OTHER ASSETS</b>		
Long-Term Pledges Receivable - Net	153,061	596,228
Lease Deposit	22,589	22,589
Total Other Assets	175,650	618,817
<b>TOTAL ASSETS</b>	<b>\$ 5,023,924</b>	<b>\$ 4,726,619</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable:		
Trade	\$ 274,844	\$ 169,125
Research Grants	-	22,295
Accrued Liabilities	226,149	140,618
Total Current Liabilities	500,993	332,038
<b>NET ASSETS</b>		
Unrestricted	3,403,079	3,274,728
Temporarily Restricted	1,119,852	1,119,853
Total Net Assets	4,522,931	4,394,581
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,023,924</b>	<b>\$ 4,726,619</b>

See accompanying Notes to Financial Statements.

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

	2014				2013			
	Operating	Board Designated (Chapter Funds)	Temporarily Restricted	Total	Operating	Board Designated (Chapter Funds)	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>								
Contributions	\$ 3,056,153	\$ 2,195,655	\$ 1,328,820	\$ 6,580,628	\$ 5,166,486	\$ 2,225,057	\$ 1,297,673	\$ 8,689,216
Program Services	-	-	-	-	39,300	-	-	39,300
Gifts-in-Kind	455,849	280,298	-	736,147	338,672	185,478	-	524,150
Special Events	122,977	-	6,080	129,057	-	-	-	-
Less Direct Costs	(41,742)	-	-	(41,742)	-	-	-	-
Miscellaneous Income	377	-	-	377	1,952	-	-	1,952
Investment Income - Net	3,224	-	-	3,224	1,551	-	-	1,551
Loss on Disposal of Fixed Assets	-	-	-	-	(8,359)	-	-	(8,359)
Satisfaction of Purpose Restrictions	1,334,901	-	(1,334,901)	-	1,453,923	-	(1,453,923)	-
Total Revenues, Gains, and Public Support	<u>4,931,739</u>	<u>2,475,953</u>	<u>(1)</u>	<u>7,407,691</u>	<u>6,993,525</u>	<u>2,410,535</u>	<u>(156,250)</u>	<u>9,247,810</u>
<b>EXPENSES</b>								
Program Services:								
Research	1,752,681	742,786	-	2,495,467	1,623,677	602,634	-	2,226,311
Education and Support	346,896	1,387,585	-	1,734,481	11,955	1,406,731	-	1,418,686
Awareness and Advocacy	974,521	345,582	-	1,320,103	970,816	401,170	-	1,371,986
Total Program Services	<u>3,074,098</u>	<u>2,475,953</u>	<u>-</u>	<u>5,550,051</u>	<u>2,606,448</u>	<u>2,410,535</u>	<u>-</u>	<u>5,016,983</u>
Supporting Services:								
Administrative	967,367	-	-	967,367	873,634	-	-	873,634
Development	761,923	-	-	761,923	773,454	-	-	773,454
Total Supporting Services	<u>1,729,290</u>	<u>-</u>	<u>-</u>	<u>1,729,290</u>	<u>1,647,088</u>	<u>-</u>	<u>-</u>	<u>1,647,088</u>
Total Expenses	<u>4,803,388</u>	<u>2,475,953</u>	<u>-</u>	<u>7,279,341</u>	<u>4,253,536</u>	<u>2,410,535</u>	<u>-</u>	<u>6,664,071</u>
<b>CHANGES IN NET ASSETS</b>	128,351	-	(1)	128,350	2,739,989	-	(156,250)	2,583,739
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,274,728</u>	<u>-</u>	<u>1,119,853</u>	<u>4,394,581</u>	<u>534,739</u>	<u>-</u>	<u>1,276,103</u>	<u>1,810,842</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,403,079</u>	<u>\$ -</u>	<u>\$ 1,119,852</u>	<u>\$ 4,522,931</u>	<u>\$ 3,274,728</u>	<u>\$ -</u>	<u>\$ 1,119,853</u>	<u>\$ 4,394,581</u>

See accompanying Notes to Financial Statements.

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

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 128,350	\$ 2,583,739
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	17,645	24,694
Amortization of Intellectual Property Rights	-	21,229
Loss (Gain) on Sale of Investments	-	-
Unrealized Gain on Investments	-	-
Loss on Disposal of Property and Equipment	-	8,359
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable - Net	110,598	(745,703)
Other Receivables	(35,074)	(27,352)
Inventory	-	23,489
Prepaid Expenses	22,646	72,828
Deposits	(939)	2,284
Accounts Payable - Trade	105,719	(143,142)
Research Grants Payable	(22,295)	(71,850)
Accrued Liabilities	85,531	(47,463)
Net Cash Provided by Operating Activities	412,181	1,701,112
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	3,037,114	1,774,237
Purchases of Investments	(3,392,247)	(3,382,608)
Purchases of Property and Equipment	(11,296)	(8,325)
Net Cash Used in Investing Activities	(366,429)	(1,616,696)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	45,752	84,416
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	191,785	107,369
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	237,537	191,785

See accompanying Notes to Financial Statements.

**PKD FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

<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	\$ 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	1,295	4,398	7,340	2,550	2,062	17,645
Chapters	-	473,809	-	-	-	473,809
<b>TOTAL EXPENSES</b>	<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  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013**

<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	\$ 383,502	\$ 713,833	\$ 558,309	\$ 643,353	\$ 491,162	\$ 2,790,159
Travel and Meetings	34,276	37,421	39,657	17,857	50,960	180,171
Printing/Postage/Telephone	7,316	32,997	56,081	29,932	45,188	171,514
Office Supplies	1,023	1,804	29,003	1,540	1,824	35,194
Dues/Fees/Publications/ Professional Development	1,989	4,426	7,815	5,277	16,428	35,935
Equipment and Software	6,974	11,955	9,738	10,745	12,230	51,642
Advertising and Education	-	45,066	273,390	-	-	318,456
Professional Fees	49,751	34,551	292,354	33,973	98,249	508,878
Bank and Credit Card Fees	-	-	-	64,883	-	64,883
Occupancy	39,866	68,333	55,664	61,420	49,847	275,130
Insurance	1,469	5,618	2,051	2,263	1,836	13,237
Conferences/Special Events/Awards	-	131,983	22,476	196	2,144	156,799
Grants and Sponsorships	287,138	-	-	-	-	287,138
External R&D Funding	1,409,778	-	-	-	-	1,409,778
Depreciation and Amortization	3,229	11,465	25,448	2,195	3,586	45,923
Chapters	-	319,234	-	-	-	319,234
<b>TOTAL EXPENSES</b>	<u>\$ 2,226,311</u>	<u>\$ 1,418,686</u>	<u>\$ 1,371,986</u>	<u>\$ 873,634</u>	<u>\$ 773,454</u>	<u>\$ 6,664,071</u>

See accompanying Notes to Financial Statements.

**PKD FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 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.

**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, 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. The Foundation has no permanently restricted net assets.

**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, 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, 2014 or 2013.

**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, 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. The Foundation's Form 990 information returns for years ended prior to June 30, 2011 are no longer subject to examination by the Internal Revenue Service.

**PKD FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 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 \$33 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, 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, with more than 11,000 walkers. The event has raised nearly \$22 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](http://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](http://pkdcure.org). Voices of PKD ([pkdcure.org/voicesofpkd](http://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](http://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, 2014**

**NOTE 2 INVESTMENTS**

Investments include investment specific cash equivalents, money market funds, and certificates of deposit Net investment returns were \$3,224 and \$1,551 for the years ended June 30, 2014 and 2013, respectively. Included in investments are the following:

	2014	2013
Cash	\$ -	\$ 5,000
Money Market Funds	1,524,312	2,764,079
Certificates of Deposit	1,845,900	246,000
Total Investments	\$ 3,370,212	\$ 3,015,079

**NOTE 3 PLEDGES RECEIVABLE**

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

	2014	2013
Total Pledges Receivable	\$ 1,277,500	\$ 1,390,813
Less: Unamortized Discount	15,589	19,422
Less: Allowance for Uncollectible Pledges	15,627	14,509
Net Pledges Receivable	1,246,284	1,356,882
Less: Net Pledges Receivable, Current Portion	1,093,223	760,654
Net Pledges Receivable, Long-Term	\$ 153,061	\$ 596,228

Interest was imputed in discounting long-term pledges receivable at rates ranging from 0.36% to 3.00%.

Pledges are due in future years as follows:

2015	\$ 1,108,850
2016	72,000
2017	32,000
2018	12,000
2019	12,000
Thereafter	40,650
Total	\$ 1,277,500

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, 2014**

**NOTE 4 LINE-OF-CREDIT**

The Foundation has a \$100,000 operating line-of-credit with UMB Bank at an interest rate of prime plus 0.75% (4% at June 30, 2014), that is due on demand, and secured by the receivables of the Foundation. The balance of the line-of-credit is \$-0- at June 30, 2014 and 2013.

**NOTE 5 LEASE COMMITMENTS**

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:

2015	\$	271,073
2016		271,073
2017		180,715
Total	<u>\$</u>	<u>722,861</u>

Lease expense totaled \$275,483 and \$275,130 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
ADPKD Research & Drug Repurposing	\$ 595,766	\$ 726,400
International Prize for PKD Research	-	5,654
Polycystic Liver Disease Research	419,597	352,804
Patient Education Initiatives	98,989	2,000
ARPKD Research	-	32,995
Marketing Consulting	5,500	-
Total	<u>\$ 1,119,852</u>	<u>\$ 1,119,853</u>

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

**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, telemarketing, and other similar activities. The cost of conducting those activities totaled \$172,373 and \$154,437 for the years ended June 30, 2014 and 2013, respectively. These joint costs were allocated as follows:

	2014	2013
Development	\$ 55,594	\$ 43,699
Awareness and Advocacy	84,906	78,821
Research	11,434	8,759
Education and Support	20,439	23,158
Total	\$ 172,373	\$ 154,437

**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, 2014 and 2013 amounted to \$130,872 and \$115,765, respectively.

**NOTE 9 CONTRACTUAL SERVICES**

The Foundation has contracted with Insperity, formerly Administaff, in a client service agreement effective July 1, 2008 to engage in a co-employment relationship with the Foundation. Insperity 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. This agreement shall remain in force until either Insperity or the Foundation terminates the agreement by giving thirty days prior written notice. The Foundation is required to pay service fees of approximately 24-26% of salaries, which cover benefits and services rendered to each employee. The Insperity service fee percentage may be adjusted annually. The Foundation paid \$2,548,718 and \$2,669,613 including salaries and fees to Insperity for the years ended June 30, 2014 and 2013, respectively. The Foundation terminated this agreement in August 2014.

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

**NOTE 10 AFFILIATED ORGANIZATION**

In October 2009, Kidney Wise was chartered as a nonprofit 501(c)(3) organization, with management support and guidance provided by the Foundation. It was intended that Kidney Wise would be responsible for development and implementation of a comprehensive program of awareness, research and study of the cause, treatment and cure of chronic kidney disease. The Organization did not have any material direct activity and was terminated May 23, 2013 by the State of Missouri at the request of the Organization.

**NOTE 11 CONCENTRATIONS**

Approximately 30% of the Foundation's pledges receivable at June 30, 2014 were from three donors. Approximately 57% of the Foundation's pledges receivable at June 30, 2013 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 \$-0- and \$292,397 at June 30, 2014 and 2013, respectively.

**NOTE 12 COMMITMENTS**

In order to facilitate therapy development and ultimately find a cure for PKD, the Foundation awarded research grants to 15 PKD researchers. The Foundation has approved \$1.2 million in grants to be awarded in future periods, conditional upon the Foundation obtaining the available funding, and upon the outcomes and progress of the research studies. Due to their conditional nature, these grants have not been recognized by PKD in its financial statements as of June 30, 2014.

**NOTE 13 SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 10, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to October 10, 2014 that provided additional evidence about conditions that existed at June 30, 2014, have been recognized in the financial statements for the year ended June 30, 2014.

**NOTE 14 RECLASSIFICATIONS**

Certain reclassifications of prior year's amounts have been made to conform to the presentation adopted for 2014. These reclassifications had no effect on previously reported earnings or net assets.