

**The Kidney Cancer Association**  
Financial Statements  
October 31, 2017 and 2016

# **The Kidney Cancer Association**

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*building business value*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Kidney Cancer Association  
1608 S. Ashland Avenue #38269  
Chicago, IL 60608

We have audited the accompanying financial statements of The Kidney Cancer Association (a nonprofit organization), which comprise the statements of financial position as of October 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

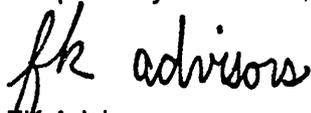
## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Kidney Cancer Association as of October 31, 2017 and 2016, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in black ink that reads "EK Advisors". The signature is written in a cursive, flowing style.

EK Advisors  
Northbrook, Illinois  
January 12, 2018

**The Kidney Cancer Association  
Statements of Financial Position  
As of October 31, 2017 and 2016**

<b>Assets</b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 6,035,909	\$ 4,133,826
Accounts Receivable	358,481	504,163
Prepaid Expenses	141,632	240,039
Investments	<u>17,627,130</u>	<u>15,394,582</u>
<b>Total Current Assets</b>	<u>24,163,152</u>	<u>20,272,610</u>
<b>Fixed Assets</b>		
<b>Other Assets</b>		
Assets Held In Remainder Trust	521,323	479,205
Web Domain	36,000	36,000
Security Deposit	<u>649</u>	<u>-</u>
<b>Total Other Assets</b>	<u>557,972</u>	<u>515,205</u>
<b>Total Assets</b>	<u>\$ 24,721,124</u>	<u>\$ 20,787,815</u>
<b>Liabilities and Net Assets</b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Current Liabilities</b>		
Accounts Payable	\$ 40,003	\$ 69,070
Deferred Revenue	592,500	100,000
Accrued Expenses	<u>1,505</u>	<u>3,409</u>
<b>Total Current Liabilities</b>	<u>634,008</u>	<u>172,479</u>
<b>Total Liabilities</b>	<u>634,008</u>	<u>172,479</u>
<b>Net Assets</b>		
Unrestricted	5,091,141	6,321,253
Board-Designated Funds	18,474,652	13,814,878
Temporarily Restricted Net Assets	<u>521,323</u>	<u>479,205</u>
<b>Total Net Assets</b>	<u>24,087,116</u>	<u>20,615,336</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 24,721,124</u>	<u>\$ 20,787,815</u>

See Accompanying Notes and Independent Auditor's Report.

**The Kidney Cancer Association**  
**Statements of Activities**  
**For The Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>%</u>
<b>Unrestricted Net Assets:</b>				
<b>Support and Revenue</b>				
Contributions	\$ 483,624	13.8	\$ 424,324	14.5
Sponsorships	1,817,554	51.8	1,731,393	59.3
Symposium Registrations	298,980	8.53	310,653	10.6
Other	96,000	2.74	96,106	3.29
Investment Income	2,223,687	63.4	631,442	21.6
Net Assets released from restrictions	<u>203,254</u>	<u>5.80</u>	<u>139,669</u>	<u>4.79</u>
<b>Total Support and Revenue</b>	<u>5,123,099</u>	<u>146.</u>	<u>3,333,587</u>	<u>114.</u>
<b>Expenses</b>				
Program Services	1,520,398	43.3	1,236,097	42.3
Management and General	76,287	2.18	70,960	2.43
Fundraising	<u>96,752</u>	<u>2.76</u>	<u>75,165</u>	<u>2.58</u>
<b>Total Expenses</b>	<u>1,693,437</u>	<u>48.3</u>	<u>1,382,222</u>	<u>47.3</u>
<b>Increase(Decrease) in Unrestricted Net Assets</b>	<u>3,429,662</u>	<u>97.8</u>	<u>1,951,365</u>	<u>66.8</u>
<b>Temporarily Restricted Net Assets:</b>				
Research Grants and Contributions	203,254	5.80	139,669	4.79
Changes in Value of Split-Interest Agreement	42,118	1.20	17,899	0.61
Net Assets released from restrictions	<u>(203,254)</u>	<u>5.80</u>	<u>(139,669)</u>	<u>4.79</u>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>42,118</u>	<u>1.20</u>	<u>17,899</u>	<u>0.61</u>
<b>Changes in Net Assets</b>	3,471,780	<u>99.0</u>	1,969,264	<u>67.5</u>
<b>Net Assets at Beginning of Year</b>	<u>20,615,336</u>		<u>18,646,072</u>	
<b>Net Assets at End of Year</b>	<u>\$24,087,116</u>		<u>\$20,615,336</u>	

See Accompanying Notes and Independent Auditor's Report.

**The Kidney Cancer Association**  
**Statements of Cash Flows**  
**For the Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Changes in Net Assets	\$ 3,471,780	\$ 1,969,264
Adjustments to reconcile changes in Net Assets to net Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	-	1,250
Donated Stocks	(10,724)	(10,046)
Reinvested Interests and Dividends	(400,383)	(403,132)
Realized (Gain) Loss on Investments	(245,765)	136,845
Unrealized (Gain) Loss on Investments	(1,575,676)	(363,712)
Changes in Value of Split Interest Agreement	(42,118)	(17,899)
Decrease(Increase) in Operating Assets:		
Accounts Receivable	145,681	(488,163)
Prepaid Expenses	98,406	(177,784)
Security Deposit	(649)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(29,065)	62,873
Deferred Revenue	492,500	(9,025)
Accrued Expenses	(1,904)	471
Total Adjustments	<u>(1,569,697)</u>	<u>(1,268,322)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>1,902,083</u>	<u>700,942</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,902,083	700,942
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>4,133,826</u>	<u>3,432,884</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 6,035,909</u>	<u>\$ 4,133,826</u>

See Accompanying Notes and Independent Auditor's Report.

# The Kidney Cancer Association

## Notes to Financial Statements

### October 31, 2017 and 2016

#### Note 1 - Nature of Operations

The Kidney Cancer Association (the Association) was incorporated in 1990 as a tax-exempt nonprofit organization. Its purposes are educational and charitable, including providing information to kidney cancer patients and physicians, promoting and sponsoring kidney cancer education and research, and acting as an advocate with respect to the interest and needs of kidney cancer patients.

#### Note 2 - Summary of Significant Accounting Policies

##### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### Financial Statement Presentation

The Organization 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.

##### Cash and Cash Equivalents

Cash and cash equivalents include funds deposited in checking accounts and certificates of deposit. Cash included in the investment portfolios is not included in cash and cash equivalents.

##### Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debt. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. Management believes that substantially all accounts receivable are collectible.

##### Investments

Investments in marketable securities and debt securities are reported at fair value based upon market quotations. Donated investments are recorded at the fair value as of the date of contribution. Unrealized gains and losses are included in investment income in the accompanying statements of activities. Investment income is shown net of management fees.

##### Assets Held in Remainder Trust

The Organization has been designated as one of three remaindermen of a charitable remainder trust. The assets of the trust are held by an outside trustee. The life-time beneficiary is entitled to the income of the trust and, if necessary, the trustee may distribute the principal of the trust. The contribution is recorded at fair value at the date the Organization was notified and is reflected as temporarily restricted net assets. Subsequent changes in the fair value of the charitable remainder trust are reflected as changes in value of split-interest agreement in temporarily restricted net assets on the statements of activities. The trust is stated at fair value as of October 31 on the statements of financial position.

# The Kidney Cancer Association

## Notes to Financial Statements

### October 31, 2017 and 2016

#### Website Domain

The Organization has two website domain addresses which are recorded at cost and evaluated annually for impairment based on the most recent information available. As of October 31, 2017 and 2016, the assets are not impaired.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

#### Income Tax Status

The Organization qualifies as a tax exempt organization under section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. It is also exempt from state income tax under the Illinois Charitable Trust Act. All returns of the Organization for 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service that is generally for three years after the due date of the returns.

#### Contributed Services

Contributed services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers provide services that are not recognized as contributions in the financial statements since the revenue recognition criteria were not met. There were no contributed services that met the revenue recognition criteria during the years ended October 31, 2017 and 2016.

#### **Note 3 - Investment Income**

Investment income (net of fees) for the years ended October 31 is comprised of the following:

	2017	2016
Interest and Dividends	\$ 402,246	\$ 404,575
Realized Gains (Losses)	245,765	(136,845)
Unrealized Gains (Losses)	1,575,676	363,712
Total	\$ 2,223,687	\$ 631,442

#### **Note 4 - Board-Designated Funds**

By virtue of board resolutions, the Organization established endowments for future funding for research, capital expenditures and other activities of the Organization. The Organization's endowment funds include allocation of net appreciation and income from its investments. Expenditure of income or appreciation from the funds will be dispersed in accordance with board-approved expenditures, provided that such expenditure is consistent with and in furtherance of the purposes of the funds. The board-designated funds for the years ended October 31 are as follows:

**The Kidney Cancer Association**  
**Notes to Financial Statements**  
**October 31, 2017 and 2016**

	2017		
	Board Designated - Research	Board Designated - Other Expenditures	Total
Balance at beginning of year	\$ 3,000,000	\$ 10,814,878	\$ 13,814,878
Interest and Dividends	29,211	268,224	297,435
Net Appreciation (Depreciation)	141,540	1,220,799	1,362,339
Transfers from Unrestricted Funds	3,000,000	-	3,000,000
Expenditures	-	-	-
<b>Total Assets at Fair Value</b>	<b><u>\$ 6,170,751</u></b>	<b><u>\$ 12,303,901</u></b>	<b><u>\$ 18,474,652</u></b>
	2016		
	Board Designated - Research	Board Designated - Other Expenditures	Total
Balance at beginning of year	\$ 3,000,000	\$ 10,381,032	\$ 13,381,032
Interest and Dividends	-	277,615	277,615
Net Appreciation (Depreciation)	-	156,231	156,231
Transfers from Unrestricted Funds	-	-	-
Expenditures	-	-	-
<b>Total Assets at Fair Value</b>	<b><u>\$ 3,000,000</u></b>	<b><u>\$ 10,814,878</u></b>	<b><u>\$ 13,814,878</u></b>

**Note 5 - Revenue**

The Organization obtains revenue primarily from contributions, sponsorships, registrations and grants which are recognized in the period to which they pertain.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Note 6 - Fair Value Measurements**

Fair value measurements and disclosures accounting establishes a framework for measuring fair value. As defined, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

# **The Kidney Cancer Association**

## **Notes to Financial Statements**

### **October 31, 2017 and 2016**

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable market inputs or unobservable inputs that are corroborated by market data.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Organization performed a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized at the end of the reporting period in accordance with the Organization's policy regarding the recognition of transfers between levels of hierarchy. There were no transfers between levels for the years ended October 31, 2017 and 2016.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2017 and 2016.

#### Investments

The fair values of fixed income securities, real estate funds, commodities, money market and equities are based on quoted market prices in active markets.

#### Assets Held in Remainder Trust

Due to little or no market data available, fair value of the charitable remainder trust is determined based on the fair value of the trust assets, as provided by the trustee at the end of each reporting period after incorporating management's own assumptions and appropriate risk adjustments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The Organization's management gives

**The Kidney Cancer Association**  
**Notes to Financial Statements**  
**October 31, 2017 and 2016**

consideration to the reasonableness of the methodology for measuring fair value for certain Level 2 and Level 3 assets. The Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date, and it is reasonably possible that the difference could be material. As such, there is no assurance that upon liquidation, the Organization will realize the fair values presented therein.

The following tables present (1) the fair value of the Organization's financial instruments for each level and (2) a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value at October 31 on a recurring basis:

	2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ 5,938,728	\$ -	\$ -	\$ 5,938,728
Real Estate Funds	356,312	-	-	356,312
Commodities	824,331	-	-	824,331
Cash and Money Markets	431,455	-	-	431,455
Equities	10,076,304	-	-	10,076,304
Assets Held in Remainder Trusts	<u>-</u>	<u>-</u>	<u>521,323</u>	<u>521,323</u>
Total Assets at Fair Value	<u>\$17,627,130</u>	<u>\$ -</u>	<u>\$ 521,323</u>	<u>\$18,148,453</u>
	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ 6,319,389	\$ -	\$ -	\$ 6,319,389
Real Estate Funds	426,541	-	-	426,541
Commodities	690,390	-	-	690,390
Cash and Money Markets	350,826	-	-	350,826
Equities	7,607,436	-	-	7,607,436
Assets Held in Remainder Trusts	<u>-</u>	<u>-</u>	<u>479,205</u>	<u>479,205</u>
Total Assets at Fair Value	<u>\$15,394,582</u>	<u>\$ -</u>	<u>\$ 479,205</u>	<u>\$15,873,787</u>

The changes in the fair values of the Organization's Level 3 assets value using significant unobservable inputs on a recurring basis as of and for the years October 31 consist of the following:

**The Kidney Cancer Association  
Notes to Financial Statements  
October 31, 2017 and 2016**

	2017	2016
Balance, October 31,	\$ 479,205	\$ 461,306
Changes in Value of Split-Interest Agreements	42,118	17,899
Balance, October 31,	\$ 521,323	\$ 479,205

At October 31, 2017 and 2016, the redemption frequency of the charitable remainder trust included in Level 3 is based on the occurrence of certain events at future dates in accordance with the terms of the trust agreement. There were no redemptions during the years ended October 31, 2017 and 2016.

There were no unusual redemptions limitations for Level 1 and Level 2 assets.

**Note 7 - Concentration of Risk**

The Organization maintains its cash in bank deposits, which, at times, may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts.

The Organization maintains the majority of its investments at financial institutions with a Securities Investors Protection Corporation (SIPC) member broker. Securities, including equities, are not insured against loss in value. The value of investments can go up or down depending on the demand for them in the market. The SIPC replaces missing stocks and other securities in customer accounts held by its members up to \$500,000, including up to \$100,000 in cash awaiting reinvestment. The Organization has not experienced any losses related to the failure of the institution as of October 31, 2017 and 2016.

**Note 8 - Commitments and Contingencies**

The Organization contracts with various hotels during the year to host its annual conferences and symposia. As part of the agreement with the hotels, the Organization agrees to pay cancellation charges if the cancellation occurs within a certain time period prior to the conference date. The Organization does not anticipate cancellation charges to be significant.

**Note 9 - Related Party**

The Organization has delegated the management duties to a company that is managed by a key officer of the Organization. The total paid to the company for management services during the years ended October 31, 2017 and 2016 is \$197,972 and \$218,494, respectively.

**Note 10 - Reclassifications**

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**The Kidney Cancer Association  
Notes to Financial Statements  
October 31, 2017 and 2016**

**Note 11 - Subsequent Events**

Subsequent events were evaluated through January 12, 2018, which is the date of the financial statements.

## Supplemental Information

**The Kidney Cancer Association  
Schedules of Functional Expenses  
For the Years Ended October 31, 2017 and 2016**

	2017						2016					
	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Education</u>	<u>Research</u>	<u>Advocacy</u>				<u>Education</u>	<u>Research</u>	<u>Advocacy</u>			
Advertising	\$ 25,634	\$ 17,090	\$ 5,697	\$ 7,121	\$ 15,665	\$ 71,207	\$ 12,670	\$ 8,447	\$ 2,816	\$ 3,519	\$ 7,743	\$ 35,195
Bank service charges	6,290	4,193	1,398	1,747	3,844	17,472	3,515	2,343	781	976	2,148	9,763
Depreciation	-	-	-	-	-	-	450	300	100	125	275	1,250
Dues and subscriptions	19,227	-	-	-	-	19,227	13,435	-	-	-	-	13,435
Miscellaneous	-	-	-	58	-	58	-	-	-	1,980	-	1,980
Employee benefits	3,193	2,129	710	887	1,951	8,870	3,753	2,502	834	1,042	2,294	10,425
Insurance	1,727	1,151	384	480	1,055	4,797	1,728	1,152	384	480	1,056	4,800
License and permits	2,536	1,691	564	704	1,550	7,045	2,722	1,815	605	756	1,664	7,562
Travel and meetings	359,331	359,331	-	-	-	718,662	306,942	306,942	-	-	-	613,884
Office expense	1,366	911	304	379	835	3,795	1,147	765	255	319	701	3,187
Payroll taxes	4,172	2,781	927	1,159	2,549	11,588	3,369	2,246	749	936	2,059	9,359
Salaries	57,324	38,216	12,739	15,923	35,031	159,233	39,463	26,309	8,770	10,962	24,116	109,620
Postage and delivery	3,064	2,042	681	851	1,872	8,510	3,546	2,364	788	985	2,167	9,850
Printing	31,450	-	-	1,655	-	33,105	19,911	-	-	1,048	-	20,959
Professional fees	97,142	91,553	44,506	44,252	30,044	307,497	100,143	96,178	47,193	47,003	29,118	319,635
Rent	764	509	170	212	467	2,122	-	-	-	-	-	-
Research grant awards	-	292,000	-	-	-	292,000	-	192,584	-	-	-	192,584
Telephone	3,091	2,061	687	859	1,889	8,587	2,984	1,990	663	829	1,824	8,290
Video production	19,662	-	-	-	-	19,662	10,444	-	-	-	-	10,444
<b>Total</b>	<u>\$635,973</u>	<u>\$815,658</u>	<u>\$ 68,767</u>	<u>\$ 76,287</u>	<u>\$ 96,752</u>	<u>\$1,693,437</u>	<u>\$526,222</u>	<u>\$645,937</u>	<u>\$ 63,938</u>	<u>\$ 70,960</u>	<u>\$ 75,165</u>	<u>\$1,382,222</u>