

**National Kidney Foundation
of Michigan, Inc.**

Financial Statements

**June 30, 2020
(With Summarized Comparative
Information for 2019)**



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Independent Auditors' Report

To the Board of Directors
National Kidney Foundation of Michigan, Inc.
Ann Arbor, Michigan

We have audited the accompanying financial statements of National Kidney Foundation of Michigan, Inc., which comprise the balance sheet as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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 National Kidney Foundation of Michigan, Inc., as of June 30, 2020, and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 2 to the financial statements, National Kidney Foundation of Michigan, Inc. changed its method of accounting for revenue recognition in 2020 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers* and changed its method of accounting for contributions in 2020 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the National Kidney Foundation of Michigan, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information and Opinion of the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements, the statement of activities for the ten years ended June 30, 2011 through 2020, and the schedule of public support received and special events and fundraisers for the ten years ended June 30, 2011 through 2020 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards and the 2020 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 schedule of expenditures of federal awards and the 2020 information is fairly stated in all material respects in relation to the financial statements as a whole.

As indicated above, we have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of National Kidney Foundation of Michigan, Inc., as of June 30, 2011 through June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended (which are not presented herein), and we expressed unmodified opinions on those financial statements. These audits were conducted for purposes of forming an opinion on the financial statements as a whole. The statement of activities for the ten years ended June 30, 2011 through 2020, and the schedule of public support received and special events and fundraisers for the ten years ended June 30, 2011 through 2020 is presented for purposes of additional analysis and is 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 2011 through 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those 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 2011 through 2019 information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of National Kidney Foundation of Michigan, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Kidney Foundation of Michigan, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Kidney Foundation of Michigan, Inc.'s internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
December 7, 2020

National Kidney Foundation of Michigan, Inc.
Balance Sheet
June 30, 2020
(With Summarized Comparative Information for 2019)

	2020	2019
Assets		
Cash	\$ 1,712,500	\$ 1,753,995
Investments	5,714,418	5,486,725
Accounts receivable	668,917	964,900
Unconditional promises to give	100,000	-
Prepaid expenses and other	70,932	94,128
Property and equipment, net	1,333,937	1,399,603
Beneficial interest in assets held by others	25,000	25,000
Total assets	\$ 9,625,704	\$ 9,724,351
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 40,753	\$ 98,155
Accrued expenses	446,221	493,838
Deferred compensation liability	570,648	511,746
Deferred revenue	-	309,637
Note payable - PPP Loan	551,900	-
Total liabilities	1,609,522	1,413,376
Net assets		
Without donor restrictions		
Undesignated	6,412,591	6,886,372
Invested in property and equipment	1,333,937	1,399,603
Board designated endowment	25,000	25,000
Total net assets without donor restrictions	7,771,528	8,310,975
With donor restrictions		
Purpose restrictions	244,654	-
Total net assets	8,016,182	8,310,975
Total liabilities and net assets	\$ 9,625,704	\$ 9,724,351

See Accompanying Notes to the Financial Statements

National Kidney Foundation of Michigan, Inc.
Statement of Activities
For the Year Ended June 30, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Revenues				
Public support				
Received directly - contributions	\$ 656,593	\$ 365,836	\$ 1,022,429	\$ 1,179,878
Private and government grants	4,894,668	-	4,894,668	4,269,754
Special events and fundraisers, net	581,434	-	581,434	1,077,374
Total public support	6,132,695	365,836	6,498,531	6,527,006
Program service fee and other revenues				
Program service fees	245,589	-	245,589	369,405
Net investment income	193,308	-	193,308	221,851
Other	22,662	-	22,662	102
Total program service fee and other revenues	461,559	-	461,559	591,358
Net assets released from restrictions	121,182	(121,182)	-	-
Total revenues	6,715,436	244,654	6,960,090	7,118,364
Expenses				
Program services				
Research	18,231	-	18,231	44,389
Public education	3,893,123	-	3,893,123	4,501,132
Professional education	26,014	-	26,014	72,439
Patient services	429,841	-	429,841	638,935
Community services	1,591,468	-	1,591,468	829,453
Total program services	5,958,677	-	5,958,677	6,086,348
Supporting services				
Fundraising	437,445	-	437,445	565,989
Management and general	858,761	-	858,761	899,272
Total supporting services	1,296,206	-	1,296,206	1,465,261
Total expenses	7,254,883	-	7,254,883	7,551,609
Change in net assets	(539,447)	244,654	(294,793)	(433,245)
Net assets - beginning of year	8,310,975	-	8,310,975	8,744,220
Net assets - end of year	\$ 7,771,528	\$ 244,654	\$ 8,016,182	\$ 8,310,975

See Accompanying Notes to the Financial Statements

National Kidney Foundation of Michigan, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Summarized Comparative Information for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (294,793)	\$ (433,245)
Items not requiring cash		
Depreciation	108,531	99,326
Unrealized and realized gain on investments	(25,410)	(4,578)
Bad debt	30,509	31,063
Loss on disposal of assets	4,748	765
Changes in operating assets		
Accounts receivable	265,474	1,011,998
Unconditional promises to give	(100,000)	-
Prepaid expenses and other	23,196	449
Accounts payable	(57,402)	(191,650)
Accrued expenses	(47,617)	300,595
Deferred compensation liability	58,902	43,915
Deferred revenue	(309,637)	230,359
Net cash provided (used) by operating activities	(343,499)	1,088,997
Cash flows from investing activities		
Purchase of property and equipment	(47,613)	(85,448)
Proceeds from sale of investments	-	99,557
Purchases of investments	(202,283)	(350,515)
Net cash used by investing activities	(249,896)	(336,406)
Cash flows from financing activities		
Proceeds from note payable	551,900	-
Net change in cash	(41,495)	752,591
Cash - beginning of year	1,753,995	1,001,404
Cash - end of year	\$ 1,712,500	\$ 1,753,995
Supplemental information		
Non-cash operating activities, in-kind donations	\$ 726,620	\$ 668,582

See Accompanying Notes to the Financial Statements

National Kidney Foundation of Michigan, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Summarized Comparative Information for 2019)

	Research	Public Health Education	Professional Education	Patient Services	Community Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	
										2020	2019
Salaries	\$ 37	\$ 2,111,670	\$ 62	\$ 162,789	\$ 1,140,822	\$ 3,415,380	\$ 167,467	\$ 350,499	\$ 517,966	\$ 3,933,346	\$ 4,080,191
Employee benefits	2,911	261,989	4,746	9,785	122,875	402,306	32,542	46,361	78,903	481,209	575,799
Payroll taxes	18	6,530	147	233	1,911	8,839	565	279,949	280,514	289,353	300,943
Professional fees and contract services	11,909	832,592	14,008	132,381	124,421	1,115,311	369,825	100,348	470,173	1,585,484	1,519,744
Direct assistance to patients	-	-	-	47,074	-	47,074	-	-	-	47,074	31,718
Office supplies and service	77	168,833	126	15,950	7,715	192,701	83,552	4,054	87,606	280,307	258,462
Telephone and fax	178	24,861	531	1,057	12,450	39,077	2,928	3,675	6,603	45,680	46,616
Postage and shipping	16	3,876	84	1,954	2,450	8,380	3,710	2,230	5,940	14,320	20,793
Building occupancy	493	133,100	2,367	4,827	52,106	192,893	10,925	15,973	26,898	219,791	217,959
Insurance	715	82,050	1,092	1,713	7,563	93,133	3,453	3,664	7,117	100,250	116,087
Printing and publications/audio-visual	84	54,059	255	14,356	7,391	76,145	27,244	4,442	31,686	107,831	131,918
Meetings and travel	38	9,561	68	28,827	17,510	56,004	21,590	15,109	36,699	92,703	134,586
Subscriptions and publications	6	1,752	8	51	520	2,337	125	887	1,012	3,349	7,374
Membership dues and support	7	1,449	9	36	2,981	4,482	120	521	641	5,123	5,899
Revenue share payment to National	372	55,562	626	1,737	33,746	92,043	7,479	12,077	19,556	111,599	291,772
Miscellaneous expense	750	86,755	842	4,959	29,384	122,690	25,273	4,871	30,144	152,834	119,707
Bad debt expense	-	-	-	-	-	-	27,924	2,585	30,509	30,509	31,063
Depreciation	620	58,484	1,043	2,112	27,623	89,882	7,133	11,516	18,649	108,531	99,326
Total expenses	18,231	3,893,123	26,014	429,841	1,591,468	5,958,677	791,855	858,761	1,650,616	7,609,293	7,989,957
Less direct expenses netted with revenue on the statement of activities	-	-	-	-	-	-	(354,410)	-	(354,410)	(354,410)	(438,348)
Total expenses reported by function	\$ 18,231	\$ 3,893,123	\$ 26,014	\$ 429,841	\$ 1,591,468	\$ 5,958,677	\$ 437,445	\$ 858,761	\$ 1,296,206	\$ 7,254,883	\$ 7,551,609
Year ended June 30, 2020 percentages after deducting direct expenses of special events	<u>0.25%</u>	<u>53.66%</u>	<u>0.36%</u>	<u>5.92%</u>	<u>21.94%</u>	<u>82.13%</u>	<u>6.03%</u>	<u>11.84%</u>	<u>17.87%</u>	<u>100.00%</u>	
Year ended June 30, 2019											
Comparative expenses by function	<u>\$ 44,389</u>	<u>\$ 4,501,132</u>	<u>\$ 72,439</u>	<u>\$ 638,935</u>	<u>\$ 829,453</u>	<u>\$ 6,086,348</u>	<u>\$ 565,989</u>	<u>\$ 899,272</u>	<u>\$ 1,465,261</u>		<u>\$ 7,551,609</u>
Year ended June 30, 2019 percentages	<u>0.59%</u>	<u>59.60%</u>	<u>0.96%</u>	<u>8.46%</u>	<u>10.98%</u>	<u>80.60%</u>	<u>7.49%</u>	<u>11.91%</u>	<u>19.40%</u>		<u>100.00%</u>

See Accompanying Notes to the Financial Statements

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Note 1 - Organization

The National Kidney Foundation of Michigan, Inc. (the "Foundation") was incorporated on March 30, 1960, as a nonprofit corporation whose mission is "to prevent kidney disease and improve the quality of life for those living with it." Through renal patient services, supporting research of chronic kidney disease, and education programs, the Foundation's efforts are conducted to prevent kidney disease, improve access to health care and needed resources, promote quality of care, encourage rehabilitation, increase public awareness, and advance medical knowledge. The Foundation's programs are designed to inform the public about kidney diseases, its leading causes such as diabetes, hypertension and obesity, and increase awareness of the critical need for organ and tissue donation.

The Foundation's primary sources of support are public contributions, grants and fundraising events.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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. The governing board has designated, from net assets without donor restrictions, net assets for a 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.

We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) at the same point in time the condition is met (that is, when the contribution becomes unconditional). All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Unconditional promises to give in the accompanying statement of financial position are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as receivables on the statement of financial position.

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Cash

For the purpose of the statement of cash flows, the Foundation considers as cash all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Investments

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the change in unrestricted net assets.

Accounts Receivable

Accounts receivable consist of amounts to be collected from special events and amounts billed but uncollected on government grants. It is management's policy to record an allowance against accounts receivable based on anticipated future collections when the realization of the full amount due is in doubt. When receivables are no longer expected to be collectible, they are written off directly to the corresponding revenue account where the original revenue was recorded. Based on management's review, an allowance of \$37,724 and \$31,063 was deemed necessary as of June 30, 2020 and 2019, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Promises to give due in less than one year are recorded at net realizable value.

Prepaid Expenses

Prepaid expenses represent amounts purchased in advance for future expenses. The amounts are expected to be utilized in the next fiscal year.

Property and Equipment

Property and equipment are stated at cost or, where applicable, appraised value at date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets which range from 3-40 years. Major expenditures, costing \$1,000 or more, for property and for improvements which substantially increase useful lives of the assets are capitalized. Maintenance, repairs and minor renewals are charged to expense as incurred. When assets are retired, or otherwise disposed of, their cost and the related accumulated depreciation is removed from the accounts and the resulting gain or loss is recognized.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Deferred Revenue

Deferred revenue consists of monies received related to program events, raffles, and certain portions of exchange transactions relating to fundraising events that will occur in the subsequent fiscal year.

Paycheck Protection Program (PPP) Loan

The Foundation accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 Debt. Interest is accrued throughout the life of the loan, even when no payments are currently due.

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Income Tax Status

The Foundation is a nonprofit Michigan corporation recognized as exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Code. The Foundation files informational returns in the U.S. federal jurisdiction.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Statements

The amounts shown for the year ended June 30, 2019, in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Contingencies

As part of the grant agreements, the Foundation agrees to meet the spending requirements and milestones required in those agreements. The Foundation's grants are subject to financial and compliance audits by the grantors. Management believes that any liability for reimbursement that could arise as a result of these audits would not be material.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those allocated expenses include certain salaries and employee benefits along with depreciation and other occupancy costs. Allocations are based on a time study of where efforts are made.

Advertising Costs

The Foundation uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$593 and \$870, respectively.

Subsequent Events

Management has evaluated subsequent events through December 7, 2020, the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Change in Accounting Principle

The Foundation adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended July 1, 2019.

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

This has been adopted using a modified prospective approach. This resulted in changes to the year ended June 30, 2020 as follows:

	<u>Before Adoption</u>	<u>Adjustment</u>	<u>After Adoption</u>
Change in net assets	\$ (539,447)	\$ 244,654	\$ (294,793)
Net assets without donor restrictions	8,016,182	(244,654)	7,771,528
Net assets with donor restrictions	-	244,654	244,654
Revenue	6,715,436	244,654	6,960,090

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Foundation has elected to implement this standard using a modified retrospective adjustment of the prior year financial statements. The initial application was applied to only contracts that were not completed at July 1, 2019, the date of initial application. Net assets did not change as a result of implementation.

Note 3 - Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,467,846	\$ 1,753,995
Investments	5,143,770	4,954,979
Accounts receivable	<u>668,917</u>	<u>964,900</u>
	<u>\$ 7,280,533</u>	<u>\$ 7,673,874</u>

The Foundation's goal is generally to maintain financial assets to meet six months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, fixed income, and equities.

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Note 4 - Fair Value Measurements

“Fair Value Measurement” establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables present by level, within the fair value hierarchy, the Foundation's investment assets at fair value, as of June 30, 2020 and 2019.

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2020</u>				
Investments	\$ 5,714,418	\$ 5,714,418	\$ -	\$ -
Beneficial interest in assets held by others	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$ 5,739,418</u>	<u>\$ 5,714,418</u>	<u>\$ -</u>	<u>\$ 25,000</u>
<u>June 30, 2019</u>				
Investments	\$ 5,486,725	\$ 5,486,725	\$ -	\$ -
Beneficial interest in assets held by others	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$ 5,511,725</u>	<u>\$ 5,486,725</u>	<u>\$ -</u>	<u>\$ 25,000</u>

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Note 5 - Investments

Investments at June 30, 2020 and 2019, respectively, were comprised of the following:

	<u>2020</u>		<u>2019</u>	
Money market accounts	\$ 10,476	0.18%	\$ 6,670	0.12%
Mutual funds	2,500,950	43.77%	2,383,176	43.44%
Equity	2,452,986	42.93%	2,351,532	42.86%
Opportunistic	<u>750,006</u>	<u>13.12%</u>	<u>745,347</u>	<u>13.58%</u>
	<u>\$ 5,714,418</u>	<u>100.00%</u>	<u>\$ 5,486,725</u>	<u>100.00%</u>

The following schedule summarizes the unrestricted investment return included in the statement of activities, for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 167,898	\$ 217,273
Unrealized gain on investments	<u>25,410</u>	<u>4,578</u>
	<u>\$ 193,308</u>	<u>\$ 221,851</u>

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note 6 - Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Government grants	\$ 562,710	\$ 489,733
Other	143,931	506,230
Allowance for doubtful accounts	<u>(37,724)</u>	<u>(31,063)</u>
	<u>\$ 668,917</u>	<u>\$ 964,900</u>

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Note 7 - Promises to Give

Promises to give are scheduled to be collected as follows:

	2020	2019
2021	\$ 100,000	\$ -

Note 8 - Conditional Promises to Give

During the fiscal year, the Foundation received conditional promises to give related to state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of June 30, 2020:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Staffing positions and Medicaid compliance	\$ 1,362,817	\$ 822,114	\$ 540,703
Uniform guidance compliance	3,240,816	2,090,816	1,150,000
	\$ 4,603,633	\$ 2,912,930	\$ 1,690,703

Note 9 - Property and Equipment

The components of property and equipment are as follows at June 30:

	2020	2019
Land	\$ 231,029	\$ 231,029
Building	1,696,434	1,670,654
Furniture and office equipment	641,939	628,394
	2,569,402	2,530,077
Less accumulated depreciation	(1,235,465)	(1,130,474)
	\$ 1,333,937	\$ 1,399,603

Depreciation expense was \$108,531 and \$99,326 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Beneficial Interest in Assets Held By Others

The Foundation has established the National Kidney Foundation of Michigan Endowment Fund with the Community Foundation for Southeastern Michigan (the "Community Foundation") at June 30, 2020 and 2019 in the amount of \$25,000 and \$25,000, respectively. The Community Foundation will distribute funds annually, based on their current spending policy. The agreement between the Foundation and the Community Foundation grants the Community Foundation power to direct the earnings of this fund, and earnings on any subsequent

National Kidney Foundation of Michigan, Inc.
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donor restricted contributions to this endowment fund, to the Foundation as beneficiary. The agreement also grants the Community Foundation variance power to redirect the use of gifts or assets to another beneficiary so that the donors' charitable interest may be served in perpetuity. 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 of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Other benefactors have donated money to this fund, but the Foundation does not own those assets. The balance of those assets as of June 30, 2020 and 2019 is \$407,845 and \$423,296, respectively.

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

	2020		2019	
	Without Donor Restrictions	Total Net Endowment Assets	Without Donor Restrictions	Total Net Endowment Assets
Board-designated endowment funds	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

Changes in endowment net assets as of June 30, are as follows:

	2020		2019	
	Without Donor Restrictions	Total Net Endowment Assets	Without Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Income from fund	1,398	1,398	2,593	2,593
Amounts appropriated for expenditure	(1,398)	(1,398)	(2,593)	(2,593)
Endowment net assets, end of year	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

Note 11 - Retirement Plans

The Foundation has a non-contributory defined 403(b) contribution pension plan, which covers substantially all full-time employees. Under the terms of the plan, individual single premium annuity contracts are purchased annually for each covered employee. There are no prior service costs. Pension expense for the years ended June 30, 2020 and 2019, was \$195,060 and \$214,947, respectively.

In October 2008, the Foundation started a non-qualified 457(b) deferred compensation plan for the members of management. Under the terms of the plan, contributions are made on behalf of the eligible employees by the Foundation. The balance of the deferred compensation arrangement was \$570,648 and \$511,746 as of June 30, 2020 and 2019, respectively and is shown in both assets and liabilities on the Foundation's financial statements and is available to general creditors of the Foundation. Deferred compensation expense for the years ended June 30, 2020 and 2019 was \$42,500 and \$30,000, respectively.

Note 12 - Note Payable

During the fiscal year, the Foundation received a Paycheck Protection Program (PPP) Loan of \$551,900 funded by the Federal government through the Small Business Administration. The PPP loan and any accrued interest are forgivable after twenty-four weeks as long as the borrower meets certain criteria. The loan proceeds must

National Kidney Foundation of Michigan, Inc.
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be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduce loan forgiveness for certain reductions in salaries or reductions in FTEs. When final forgiveness, if any, is determined, a gain on extinguishment of debt will be realized for any forgiven amounts. There is a deferral of payments until loan forgiveness is determined or 10 months after the last day of the covered period, whichever occurs first.

Paycheck Protection Program (PPP) Loan payable to the Federal government in monthly installments to be determined if any amount is not forgiven plus interest at 1%.	\$ 551,900
Less current portion	<u>551,900</u>
Long-term debt, net of current portion	<u><u>\$ -</u></u>

Annual note payable maturities are scheduled as follows:

2021	<u><u>\$ 551,900</u></u>
------	--------------------------

Note 13 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at June 30, 2020 and 2019:

Subject to expenditure for specified purpose:

Family caregivers	\$ 7,208	\$ -
Food and nutrition	<u>137,446</u>	<u>-</u>
Total subject to expenditure for specified purpose:	144,654	-

Subject to the passage of time:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>100,000</u>	<u>-</u>
Total net assets with donor restrictions	<u><u>\$ 244,654</u></u>	<u><u>\$ -</u></u>

Note 14 - Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
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(With Summarized Comparative Information for 2019)

	2020	2019
Satisfaction of purpose restrictions		
Family caregivers	\$ 15,043	\$ -
Food and nutrition	106,139	-
	\$ 121,182	\$ -
Total net assets released from donor restrictions	\$ 121,182	\$ -

Note 15 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended June 30, 2020 and 2019:

	2020	2019
Revenue from contracts with customers	\$ 764,316	\$ 1,165,310
Public support and contributions	5,979,804	5,731,101
Net investment income	193,308	221,851
Other revenue	22,662	102
	\$ 6,960,090	\$ 7,118,364
Total revenue	\$ 6,960,090	\$ 7,118,364

The following summarizes bad debt expense for the year ended June 30, 2020 and 2019:

	2020	2019
Impairment loss on receivables and contract assets on contracts with customers	\$ 30,509	\$ 31,063

The revenue from contracts with customers for the year ended June 30, 2020 and 2019 consists of:

	2020	2019
Revenue earned at a point in time	\$ 764,316	\$ 1,165,310

Revenue earned at a point in time consists of classes and training related to diabetes awareness and prevention via in-person and on-line classes. Additionally, revenue earned at a point in time consist of ticket and event sales related to special events. Generally, both education programs and special event ticket sales must be prepaid upon signup or the day of class and therefore the revenues and cash flows related to these programs are without uncertainty. The educational programs and special events are typically one day events and therefore the performance obligation is typically satisfied when the attendee attends the event or class; if the attendee does not attend the entire event or class, revenue is still earned if some portion of the event occurred. This is

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
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because both events and classes are typically not refundable. The transaction price is calculated using the expected value method based on historical experience for each price.

The following summarizes contract assets as of:

	June 30, 2020	June 30, 2019	July 1, 2018
Accounts receivable	\$ 117,010	\$ 148,273	\$ 132,335

There were no changes in judgments related to revenue recognition for the years ended June 30, 2020 and 2019.

Note 16 - Revenue Share Payment to National Organization

The Foundation has agreed to make support payments to its National Organization (“National”) based on gross contributed revenue, as defined by National. During 2020 and 2019, the agreed upon payment was 18% of all such revenue and totaled \$111,599 and \$291,772, of which \$5,464 and \$16,151, respectively was included in accounts payable at June 30, 2020 and 2019. National provides program, management, and other services in return for these payments. The Foundation allocates the expense among program and supporting service activities based on information supplied by National. There are no required support payments due to National on donor restricted support.

Note 17 - Donated Services

A substantial number of volunteers have donated significant amounts of their time in the Foundation’s program and supporting services. Records were retained for nurses, doctors, and other professionals that contributed services. As a result, donated services for the years ended June 30, 2020 and 2019, of \$726,620 and \$668,582, respectively, were reported as contributions on the statement of activities and allocated in the statement of functional expenses.

Note 18 - Operating Leases

The Foundation has various operating leases for office equipment and building rentals. Total rent expense was \$138,006 and \$132,818 for the years ended June 30, 2020 and 2019, respectively. The future payments required under non-cancelable leases are:

For the Year Ending June 30,	
2021	\$ 102,741
2022	54,833
2023	50,705
2024	4,230
	\$ 212,509

National Kidney Foundation of Michigan, Inc.
Notes to the Financial Statements
June 30, 2020
(With Summarized Comparative Information for 2019)

Note 19 - Concentrations and Credit Risks

The Foundation's investments are held in a diversified portfolio with no concentrations of market risk. No other financial instruments expose the Foundation to concentrations of credit risk or market risk.

The Foundation receives a substantial portion of its revenue from special events, fundraisers, and grants. A significant reduction in the level of these revenues, if it were to occur, could diminish certain programs of the Foundation.

As of June 30, 2020, \$1,473,167 of the actual bank balances are uninsured and \$250,000 is insured. The Foundation has not experienced any losses with the financial institution nor is any loss expected due to insolvency.

Note 20 - COVID-19 Pandemic

In March 2020 the global COVID-19 pandemic prompted a statewide Stay at Home order that caused the Foundation to close its offices and stop all in-person activities. That restriction on large in-person gatherings continues (as of June 30, 2020), and the duration and lasting implications of the pandemic cannot be defined at this point. The Foundation has built adequate cash reserves to support operations through cash flow timing, and management does not anticipate any significant liquidity issues.

Supplementary Information

National Kidney Foundation of Michigan, Inc.
Statement of Activities
For the Ten Years Ended June 30, 2011 through 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Public support										
Received directly - contributions	\$ 1,022,429	\$ 1,179,878	\$ 1,612,801	\$ 1,738,792	\$ 1,484,747	\$ 927,149	\$ 854,387	\$ 1,000,875	\$ 1,047,202	\$ 881,086
Private and government grants	4,894,668	4,269,754	4,081,228	4,234,886	4,537,019	4,257,535	3,790,011	3,962,934	3,386,564	3,186,071
	<u>5,917,097</u>	<u>5,449,632</u>	<u>5,694,029</u>	<u>5,973,678</u>	<u>6,021,766</u>	<u>5,184,684</u>	<u>4,644,398</u>	<u>4,963,809</u>	<u>4,433,766</u>	<u>4,067,157</u>
Special events and fundraisers										
Revenues	935,844	1,515,722	1,564,003	1,864,522	1,769,386	2,427,209	3,139,441	3,972,874	4,141,828	3,989,184
Less: direct benefit costs	(354,410)	(438,348)	(383,038)	(431,466)	(448,355)	(1,242,960)	(2,073,907)	(2,738,718)	(2,722,636)	(2,660,610)
Net special events and fundraisers	<u>581,434</u>	<u>1,077,374</u>	<u>1,180,965</u>	<u>1,433,056</u>	<u>1,321,031</u>	<u>1,184,249</u>	<u>1,065,534</u>	<u>1,234,156</u>	<u>1,419,192</u>	<u>1,328,574</u>
Total public support	<u>6,498,531</u>	<u>6,527,006</u>	<u>6,874,994</u>	<u>7,406,734</u>	<u>7,342,797</u>	<u>6,368,933</u>	<u>5,709,932</u>	<u>6,197,965</u>	<u>5,852,958</u>	<u>5,395,731</u>
Program service fee and other revenues										
Program service fees	245,589	369,405	427,127	333,008	291,220	278,056	260,858	172,104	109,800	152,861
Net investment income	193,308	221,851	373,343	394,667	68,949	6,805	407,032	196,968	92,211	209,246
Other	22,662	102	564	4,570	850	612	564	16,544	1,964	29,810
Total program service fee revenues	<u>461,559</u>	<u>591,358</u>	<u>801,034</u>	<u>732,245</u>	<u>361,019</u>	<u>285,473</u>	<u>668,454</u>	<u>385,616</u>	<u>203,975</u>	<u>391,917</u>
Total revenues	<u>6,960,090</u>	<u>7,118,364</u>	<u>7,676,028</u>	<u>8,138,979</u>	<u>7,703,816</u>	<u>6,654,406</u>	<u>6,378,386</u>	<u>6,583,581</u>	<u>6,056,933</u>	<u>5,787,648</u>
Expenses										
Program services										
Research	18,231	44,389	48,118	39,962	124,402	95,764	86,022	70,550	62,619	75,758
Public education	3,893,123	4,501,132	5,795,758	5,700,426	5,470,240	5,010,819	4,603,222	4,720,432	3,986,620	3,258,547
Professional education	26,014	72,439	267,616	260,678	209,161	175,591	180,782	255,452	276,395	267,278
Patient services	429,841	638,935	389,357	355,540	279,402	482,508	481,157	486,130	612,713	844,420
Community services	1,591,468	829,453	261,616	323,748	288,857	225,150	206,453	238,299	323,066	259,779
Total program services	<u>5,958,677</u>	<u>6,086,348</u>	<u>6,762,465</u>	<u>6,680,354</u>	<u>6,372,062</u>	<u>5,989,832</u>	<u>5,557,636</u>	<u>5,770,863</u>	<u>5,261,413</u>	<u>4,705,782</u>
Supporting services										
Fundraising	437,445	565,989	559,908	494,568	477,631	390,026	358,256	410,212	427,397	408,555
Management and general	858,761	899,272	372,461	353,279	362,794	264,518	240,041	264,541	243,766	294,482
Total supporting services	<u>1,296,206</u>	<u>1,465,261</u>	<u>932,369</u>	<u>847,847</u>	<u>840,425</u>	<u>654,544</u>	<u>598,297</u>	<u>674,753</u>	<u>671,163</u>	<u>703,037</u>
Total expenses	<u>7,254,883</u>	<u>7,551,609</u>	<u>7,694,834</u>	<u>7,528,201</u>	<u>7,212,487</u>	<u>6,644,376</u>	<u>6,155,933</u>	<u>6,445,616</u>	<u>5,932,576</u>	<u>5,408,819</u>
Change in net assets	(294,793)	(433,245)	(18,806)	610,778	491,329	10,030	222,453	137,965	124,357	378,829
Net assets - beginning of year	<u>8,310,975</u>	<u>8,744,220</u>	<u>8,763,026</u>	<u>8,152,248</u>	<u>7,660,919</u>	<u>7,650,889</u>	<u>7,428,436</u>	<u>7,290,471</u>	<u>7,166,114</u>	<u>6,787,285</u>
Net assets - end of year	<u>\$ 8,016,182</u>	<u>\$ 8,310,975</u>	<u>\$ 8,744,220</u>	<u>\$ 8,763,026</u>	<u>\$ 8,152,248</u>	<u>\$ 7,660,919</u>	<u>\$ 7,650,889</u>	<u>\$ 7,428,436</u>	<u>\$ 7,290,471</u>	<u>\$ 7,166,114</u>

National Kidney Foundation of Michigan, Inc.
Schedule of Public Support Received and Special Events and Fundraisers
For the Ten Years Ended June 30, 2011 through 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Public support received directly										
Contributions	\$ 261,595	\$ 237,550	\$ 208,465	\$ 153,456	\$ 138,499	\$ 191,748	\$ 196,909	\$ 207,487	\$ 213,209	\$ 250,401
Annual associate drive	30,861	27,077	38,179	33,733	26,042	27,226	25,990	21,783	17,823	17,862
Legacies and bequests	3,353	246,669	601,457	655,063	622,000	65,290	6,767	159,593	206,595	72,823
Donated services	<u>726,620</u>	<u>668,582</u>	<u>764,700</u>	<u>896,540</u>	<u>698,206</u>	<u>642,885</u>	<u>624,721</u>	<u>612,012</u>	<u>609,575</u>	<u>540,000</u>
 Total support received directly	 <u>\$ 1,022,429</u>	 <u>\$ 1,179,878</u>	 <u>\$ 1,612,801</u>	 <u>\$ 1,738,792</u>	 <u>\$ 1,484,747</u>	 <u>\$ 927,149</u>	 <u>\$ 854,387</u>	 <u>\$ 1,000,875</u>	 <u>\$ 1,047,202</u>	 <u>\$ 881,086</u>
Special events and fundraisers										
Bingo										
Bingo revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 775,802	\$ 1,673,667	\$ 2,405,607	\$ 2,383,416	\$ 2,381,540
Less prizes paid and other direct costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(766,876)</u>	<u>(1,599,973)</u>	<u>(2,271,384)</u>	<u>(2,241,111)</u>	<u>(2,215,184)</u>
 Net bingo support	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>8,926</u>	 <u>73,694</u>	 <u>134,223</u>	 <u>142,305</u>	 <u>166,356</u>
Other events										
Revenues	935,844	1,515,722	1,564,003	1,864,522	1,769,386	1,651,407	1,465,774	1,567,267	1,758,412	1,607,644
Less direct costs	<u>(354,410)</u>	<u>(438,348)</u>	<u>(383,038)</u>	<u>(431,466)</u>	<u>(448,355)</u>	<u>(476,084)</u>	<u>(473,934)</u>	<u>(467,334)</u>	<u>(481,525)</u>	<u>(445,426)</u>
 Net other events support	 <u>581,434</u>	 <u>1,077,374</u>	 <u>1,180,965</u>	 <u>1,433,056</u>	 <u>1,321,031</u>	 <u>1,175,323</u>	 <u>991,840</u>	 <u>1,099,933</u>	 <u>1,276,887</u>	 <u>1,162,218</u>
 Net support from special events and fundraisers	 <u>\$ 581,434</u>	 <u>\$ 1,077,374</u>	 <u>\$ 1,180,965</u>	 <u>\$ 1,433,056</u>	 <u>\$ 1,321,031</u>	 <u>\$ 1,184,249</u>	 <u>\$ 1,065,534</u>	 <u>\$ 1,234,156</u>	 <u>\$ 1,419,192</u>	 <u>\$ 1,328,574</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
National Kidney Foundation of Michigan, Inc.
Ann Arbor, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Kidney Foundation of Michigan, Inc., which comprise the balance sheet as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Kidney Foundation of Michigan, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Kidney Foundation of Michigan, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National Kidney Foundation of Michigan, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Kidney Foundation of Michigan, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Ann Arbor, MI
December 7, 2020



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Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
National Kidney Foundation of Michigan, Inc.
Ann Arbor, MI

Report on Compliance for Each Major Federal Program

We have audited National Kidney Foundation of Michigan, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Kidney Foundation of Michigan, Inc.'s major federal programs for the year ended June 30, 2020. National Kidney Foundation of Michigan, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of National Kidney Foundation of Michigan, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Kidney Foundation of Michigan, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Kidney Foundation of Michigan, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, National Kidney Foundation of Michigan, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of National Kidney Foundation of Michigan, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Kidney Foundation of Michigan, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Kidney Foundation of Michigan, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yeo & Yeo, P.C.

Ann Arbor, MI
December 7, 2020

National Kidney Foundation of Michigan, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Period	Award Amount	Current Year Expenditures
U.S. Department of Agriculture					
Passed through Michigan Department of Health and Human Services and Michigan Fitness Foundation					
Supplemental Nutritional Assistance Program (SNAP) Cluster					
Healthy Kids, Health Communities (K-12)	10.561	E20190792-00	10/1/18-9/30/19	\$ 435,000	\$ 135,374
Healthy Kids, Health Communities (K-12)	10.561	E20200639-00	10/1/19-9/30/20	480,000	323,500
Healthy Preschool, Healthy Start (Preschool)	10.561	E20190792-00	10/1/18-9/30/19	285,000	64,484
Healthy Preschool, Healthy Start (Preschool)	10.561	E20200639-00	10/1/19-9/30/20	285,000	<u>224,680</u>
Total U.S. Department of Agriculture/SNAP Cluster					<u>748,038</u>
U.S. Department of Health and Human Services					
Direct award					
Centers for Disease Control and Prevention (CDC)	93.738	N/A	9/30/18-9/30/19	697,142	216,906
Centers for Disease Control and Prevention (CDC)	93.738	N/A	9/30/19-9/30/20	697,140	<u>525,614</u>
					742,520
Administration For Community Living (ACL)	93.734	N/A	5/1/19-4/30/22	835,083	<u>273,539</u>
Total Direct Award					<u>1,016,059</u>
Passed through State of Michigan Department of Community Health					
DCDIS - DMCV Innovations	93.000	TBD (18)	10/1/18-9/30/19	294,859	105,760
DCDIS - DMCV Innovations	93.435	251204	10/1/19-9/30/20	294,859	<u>207,612</u>
					<u>313,372</u>
Disabilities Health (DISAB)	93.184	251172	10/1/18-9/30/19	60,000	8,000
Disabilities Health (DISAB)	93.184	251172	10/1/19-9/30/20	44,000	<u>36,000</u>
					<u>44,000</u>
Diabetes Prevention (DIAB)	93.946	251202	10/1/18-9/30/19	92,958	17,958
Diabetes Prevention (DIAB)	93.426	125202	10/1/19-9/30/20	64,542	<u>52,042</u>
					<u>70,000</u>
Prevent Block (Washtenaw County Public Health)	93.758	20180097	10/1/18-9/30/19	189,000	<u>48,711</u>
Building Health Places (BHP)	93.991	251019	10/1/19-9/30/20	204,000	<u>155,599</u>
Total passed through State of Michigan Department of Community Health					<u>631,682</u>
Total U.S. Department of Health and Human Services					<u>1,647,741</u>
Corporation for National and Community Service					
Passed through United Way for Southeastern Michigan					
Social Innovation Fund	94.019	16SIHMI001	9/1/18-8/31/19	337,178	54,709
Social Innovation Fund	94.019	16SIHMI001	9/1/19-8/31/20	336,192	<u>286,589</u>
Total Corporation for National and Community Service					<u>341,298</u>
Total federal awards					<u>\$ 2,737,077</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

National Kidney Foundation of Michigan, Inc.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Kidney Foundation of Michigan, Inc. (the Foundation) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Foundation has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Instead, the Foundation has obtained a federal approved indirect rate that is approved annually.

Note 3 - Reconciliation to the Financial Statements

The related revenue relating to the schedule of expenditures of federal awards is included in the basic financial statements with private and government grants as follows:

Private and government awards	\$ 4,894,668
Non federal awards	<u>2,157,591</u>
Federal awards	<u>\$ 2,737,077</u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

National Kidney Foundation of Michigan, Inc.
Schedule of Findings and Questioned Costs
June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

CFDA Number

Name of Federal Program

10.561

SNAP Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

National Kidney Foundation of Michigan, Inc.
Schedule of Findings and Questioned Costs
June 30, 2020

Section II – Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended June 30, 2020.

Section III – Federal Award Findings

There were no findings or questioned costs related to the federal awards for the year ended June 30, 2020.

National Kidney Foundation of Michigan, Inc.
Summary Schedule of Prior Audit Findings
June 30, 2020

Section IV – Prior Government Auditing Standards Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America for the year ended June 30, 2019.

Section V – Prior Federal Award Findings

There were no findings or questioned costs related to the federal awards for the year ended June 30, 2019.