

**KIDNEY FOUNDATION OF
NORTHWEST OHIO, INC.**

REVIEWED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To Board of Trustees
Kidney Foundation of Northwest Ohio, Inc.
Toledo, Ohio

We have reviewed the accompanying financial statements of Kidney Foundation of Northwest Ohio, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Kidney Foundation of Northwest Ohio, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

DeMarco & Associates CPAs, LLC

Perrysburg, Ohio
June 27, 2024

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		
General operating	\$ 113,979	\$ 86,030
Matthews fund - money market	27,164	29,698
Endowment fund - money market	10,979	5,320
Total cash and cash equivalents	<u>152,122</u>	<u>121,048</u>
Interest receivable	7,240	-
Investments		
Matthews fund	973,029	608,977
Endowment fund	543,942	492,046
Furniture, fixtures and equipment, net of accumulated depreciation of \$64,593 and \$62,154 in 2023 and 2022, respectively	11,974	2,262
Operating right of use assets - office suite	<u>27,008</u>	<u>-</u>
Total assets	<u>\$ 1,715,315</u>	<u>\$ 1,224,333</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,029	\$ 10,137
Accrued wages and related withholdings	2,350	1,720
Operating lease liabilities - office suite	27,208	-
Accrued pension	5,191	675
Total liabilities	<u>36,778</u>	<u>12,532</u>
Net assets		
Without donor restrictions		
Board designated	554,921	497,366
Undesignated	1,117,353	714,435
With donor restrictions	6,263	-
Total net assets	<u>1,678,537</u>	<u>1,211,801</u>
Total liabilities and net assets	<u>\$ 1,715,315</u>	<u>\$ 1,224,333</u>

See accompanying notes and independent accountants' review report.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023		Totals
	Without Donor Restrictions	With Donor Restrictions	
Revenues			
Direct public support			
Contributions and bequests	\$ 474,840	\$ -	\$ 474,840
In-kind donations	5,536	-	5,536
Kidney Klassic	20,060	-	20,060
Wine affair	-	-	-
Other special events	19,504	-	19,504
Miscellaneous	1,983	-	1,983
Total direct public support	<u>521,923</u>	<u>-</u>	<u>521,923</u>
Indirect public support			
Grants	10,250	6,263	16,513
Net assets released from restrictions	-	-	-
Total indirect public support	<u>10,250</u>	<u>6,263</u>	<u>16,513</u>
Total public support	532,173	6,263	538,436
Expenses			
Public health education	57,025	-	57,025
Patient services	112,139	-	112,139
Fundraising	40,010	-	40,010
Management and general	28,788	-	28,788
Total expenses	<u>237,962</u>	<u>-</u>	<u>237,962</u>
Change in net assets from operations	294,211	6,263	300,474
Non-operating revenues			
Net unrealized and realized gain	110,439	-	110,439
Interest expense	-	-	-
Interest income	55,823	-	55,823
Change in net assets from non-operating revenues	<u>166,262</u>	<u>-</u>	<u>166,262</u>
Change in net assets	460,473	6,263	466,736
Net assets beginning of year	<u>1,211,801</u>	<u>-</u>	<u>1,211,801</u>
Net assets end of year	<u>\$ 1,672,274</u>	<u>\$ 6,263</u>	<u>\$ 1,678,537</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues			
Direct public support			
Contributions and bequests	\$ 506,030	\$ -	\$ 506,030
In-kind donations	10,704	-	10,704
Kidney Klassic	18,223	-	18,223
Wine affair	27,515	-	27,515
Other special events	21,789	-	21,789
Miscellaneous	2,034	-	2,034
Total direct public support	<u>586,295</u>	<u>-</u>	<u>586,295</u>
Indirect public support			
Grants	10,050	-	10,050
Net assets released from restrictions	-	-	-
Total indirect public support	<u>10,050</u>	<u>-</u>	<u>10,050</u>
Total public support	596,345	-	596,345
Expenses			
Public health education	54,475	-	54,475
Patient services	105,091	-	105,091
Fundraising	50,068	-	50,068
Management and general	22,965	-	22,965
Total expenses	<u>232,599</u>	<u>-</u>	<u>232,599</u>
Change in net assets from operations	363,746	-	363,746
Non-operating revenues			
Net unrealized and realized loss	(158,295)	-	(158,295)
Interest expense	-	-	-
Interest income	19,912	-	19,912
Change in net assets from non-operating revenues	<u>(138,383)</u>	<u>-</u>	<u>(138,383)</u>
Change in net assets	225,363	-	225,363
Net assets beginning of year	<u>986,438</u>	<u>-</u>	<u>986,438</u>
Net assets end of year	<u>\$ 1,211,801</u>	<u>\$ -</u>	<u>\$ 1,211,801</u>

See accompanying notes and independent accountants' review report.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Method of Allocation	Program Services			Support Services			2023 Total
		Public Health Education	Patient Services	Subtotal	Fund Raising	Management and General	Subtotal	
Salaries	Direct	\$ 25,626	\$ 47,749	\$ 73,375	\$ 13,079	\$ 13,079	\$ 26,158	\$ 99,533
Payroll taxes	Direct	2,311	3,236	5,547	1,079	1,078	2,157	7,704
Benefits	Direct	3,094	4,332	7,426	1,444	1,443	2,887	10,313
Supplies	Sq. feet	2,532	3,324	5,856	1,425	633	2,058	7,914
Postage	Direct/Sq. feet	328	430	758	184	82	266	1,024
Dues and subscriptions	Sq. feet	2,198	2,885	5,083	1,236	549	1,785	6,868
Occupancy expense	Sq. feet	4,178	5,484	9,662	2,350	1,044	3,394	13,056
Operating lease expense	Sq. feet	1,152	1,512	2,664	648	288	936	3,600
Insurance	Sq. feet	845	1,110	1,955	476	211	687	2,642
Professional fees	Sq. feet	9,643	12,656	22,299	5,424	2,410	7,834	30,133
Telephone	Sq. feet	939	1,232	2,171	528	235	763	2,934
Travel	Sq. feet	136	178	314	76	34	110	424
Repair and maintenance	Sq. feet	108	142	250	61	27	88	338
Bank charges	Sq. feet	3,155	4,141	7,296	1,775	789	2,564	9,860
Specific assistance	Direct	-	22,704	22,704	-	-	-	22,704
Depreciation	Sq. feet	780	1,024	1,804	439	196	635	2,439
Miscellaneous expense	Direct	-	-	-	-	6,690	6,690	6,690
Direct fundraising expense	Direct	-	-	-	9,786	-	9,786	9,786
Total expenses		\$ 57,025	\$ 112,139	\$ 169,164	\$ 40,010	\$ 28,788	\$ 68,798	\$ 237,962

	Method of Allocation	Program Services			Support Services			2022 Total
		Public Health Education	Patient Services	Subtotal	Fund Raising	Management and General	Subtotal	
Salaries	Direct	\$ 25,166	\$ 46,890	\$ 72,056	\$ 12,844	\$ 12,844	\$ 25,688	\$ 97,744
Payroll taxes	Direct	2,463	3,449	5,912	1,149	1,149	2,298	8,210
Benefits	Direct	4,900	6,860	11,760	2,287	2,286	4,573	16,333
Supplies	Sq. feet	129	169	298	73	32	105	403
Postage	Direct/Sq. feet	492	646	1,138	277	122	399	1,537
Dues and subscriptions	Sq. feet	32	42	74	18	8	26	100
Occupancy expense	Sq. feet	6,322	8,297	14,619	3,556	1,580	5,136	19,755
Insurance	Sq. feet	1,304	1,712	3,016	734	326	1,060	4,076
Specific assistance	Direct	-	19,088	19,088	-	-	-	19,088
Professional fees	Sq. feet	9,665	12,685	22,350	5,437	2,416	7,853	30,203
Telephone	Sq. feet	832	1,092	1,924	468	209	677	2,601
Repair and maintenance	Sq. feet	314	412	726	176	78	254	980
Bank charges	Sq. feet	2,509	3,293	5,802	1,411	628	2,039	7,841
Depreciation	Sq. feet	347	456	803	195	87	282	1,085
Miscellaneous expense	Direct	-	-	-	-	1,200	1,200	1,200
Direct fundraising expense	Direct	-	-	-	21,443	-	21,443	21,443
Total expenses		\$ <u>54,475</u>	\$ <u>105,091</u>	\$ <u>159,566</u>	\$ <u>50,068</u>	\$ <u>22,965</u>	\$ <u>73,033</u>	\$ <u>232,599</u>

See accompanying notes and independent accountants' review report.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 466,736	\$ 225,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized (gain) loss on investments	(110,439)	158,295
Depreciation and amortization	2,439	1,085
Changes in operating assets and liabilities:		
Increase in:		
Interest receivable	(7,240)	-
Increase (decrease) in:		
Account payable	(8,108)	(12,221)
Accrued wages and related withholdings	630	491
Accrued pension	4,516	(37)
Net cash provided by operating activities	<u>348,534</u>	<u>372,976</u>
Cash flows from investing activities		
Purchases of property and equipment	(12,150)	-
Proceeds from sale of investments	562,689	321,929
Purchases of investments	<u>(867,999)</u>	<u>(697,550)</u>
Net cash used in investing activities	<u>(317,460)</u>	<u>(375,621)</u>
Net change in cash	31,074	(2,645)
Cash and cash equivalents at beginning of year	<u>121,048</u>	<u>123,693</u>
Cash and cash equivalents at end of year	\$ <u><u>152,122</u></u>	\$ <u><u>121,048</u></u>
Supplemental disclosure of non-cash financing/investing activities:		
Right of use assets obtained in exchange for lease obligations		
Operating lease	\$ <u><u>30,507</u></u>	\$ <u><u>-</u></u>

See accompanying notes and independent accountants' review report.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note A – Significant accounting policies

Nature of operations

The Kidney Foundation of Northwest Ohio, Inc. (Foundation) is a non-profit organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code and is considered a public charity. The Foundation was created to provide care, education and to fund research for the prevention and treatment of kidney disease.

Basis of presentation

The Foundation prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

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 the reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

Cash and cash equivalents

The Foundation considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Under the FASB Codification Topic, *Not-for-Profit Entities*, investments in debt and equity securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains on donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment

It is the Foundation's policy to capitalize property and equipment over \$500 at cost. Lesser amounts are expensed. The Foundation follows the policy of providing for depreciation by charging to expense amounts sufficient to amortize the cost. Furniture and fixtures are depreciated over their useful lives, which is estimated to be 5 – 10 years.

Contributions

Unconditional donor pledges to give cash or marketable securities are reported at fair value at the date the pledge is made to the extent estimated to be collectible by the Foundation. Conditional donor promises to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as donor restricted support.

Grants

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved, or through the passage of time. Grant payments received in advance of related project expenses are deferred until the expenditure has been incurred and recorded as deferred revenue and included in other current liabilities.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note A – Significant accounting policies (continued)

Leases

The Organization determines if an agreement includes a lease at inception. Leases are included in the balance sheet as Right-of-use (ROU) assets and the corresponding Lease liability. ROU assets and lease liabilities are recognized based upon the present value of the future lease payments over the term. The Organization does not recognize ROU assets and corresponding liabilities for short term leases, or those with a term less than 12 months. Instead, those payments are reflected in the statement of activities as occupancy expense, on a straight-line basis, over the term of the lease.

Functional expenses

Expenses directly related to each function are charged to the appropriate function classification. Indirect expenses are allocated to the functional classification based upon square footage of space occupied by or on the basis of time and effort to each program and supporting service.

Income taxes

Kidney Foundation of Northwest Ohio, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax is required.

The Foundation has determined that there are no uncertain tax positions that require disclosure in these financial statements under FASB Accounting Standards Codification Topic *Income Taxes*. The tax years 2021 through 2023 are subject to possible examination by the Internal Revenue Service.

Classification of net assets

Net assets, revenues, gains and losses are classified based upon 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 that are available for use in general operations and not subject to donor or grantor-imposed restrictions.

Net assets with donor restrictions

Net assets that are subject to donor or 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 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.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note A – Significant accounting policies (continued)

Subsequent events

The Foundation has evaluated subsequent events through June 27, 2024, the date the financial statements were available to be issued.

Note B – Liquidity and availability of financial assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position are outlined in the following table. These assets include operating cash, and the spending policy appropriation from the Endowment fund of 5% of the prior year’s market value of assets.

		2023		2022
Cash and cash equivalents – operating	\$	113,979	\$	86,030
Distribution from Endowment Fund		27,610		27,771
Total	\$	141,589	\$	113,801

As part of the Foundation’s liquidity management, if operating cash shortfalls occur, additional funds can be borrowed from the line of credit with the bank, that provides up to \$50,000 of borrowings.

Note C - Investments

Investments at December 31, 2023 are summarized as follows:

	Endowment Fund		Matthews Fund	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 10,979	\$ 10,979	\$ 27,164	\$ 27,164
Mutual funds	285,385	543,942	933,720	973,029
Total	\$ 296,364	\$ 554,921	\$ 960,884	\$ 1,000,193

		Endowment Fund		Matthews Fund		Totals
Interest and dividends	\$	33,497	\$	15,051	\$	48,548
Net unrealized holding gains		37,338		73,101		110,439
Total	\$	70,835	\$	88,152	\$	158,987

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note C – Investments (continued)

Investments at December 31, 2022 are summarized as follows:

	Endowment Fund		Matthews Fund	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 5,320	\$ 5,320	\$ 29,698	\$ 29,698
Mutual funds	289,441	492,046	610,512	608,977
Total	\$ 294,761	\$ 497,366	\$ 640,210	\$ 638,675
		Endowment Fund	Matthews Fund	Totals
Interest and dividends		\$ 5,461	\$ 14,451	\$ 19,912
Net unrealized holding gain		(32,340)	(125,955)	(158,295)
Total		\$ (26,879)	\$ (111,504)	\$ (138,383)

Note D – Property and equipment

Property and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Furniture and equipment	\$ 76,567	\$ 64,416
Accumulated depreciation	(64,593)	(62,154)
Furniture, fixtures and equipment - net	\$ 11,974	\$ 2,262

Depreciation expense for 2023 and 2022 was \$2,439 and \$1,085, respectively.

Note E – Leases

The Foundation leased office space in Toledo, Ohio on a month-to-month basis through August 31, 2023, qualifying as a short term lease. Monthly rent, including utilities, and cleaning was \$1,542. Other building expenses such as conference room rental and long-distance calls were billed separately. The Foundation is also charged a pro-rata share of excess building expenses. Total occupancy expense for the year ended December 31, 2023 and 2022 was \$13,056 and \$19,755, respectively.

Effective September 1, 2023, a new non-cancellable lease agreement was executed that qualified as a long-term operating lease. An Operating right-to-use asset and the corresponding obligation to pay the lease was recorded as an Operating lease liability. The terms include an initial period of 18 months with monthly payments of \$850 due at the beginning of each month. The lease terms include a renewal option for an additional 18 months, with an increase to the monthly payments to \$950 per month. We include in the determination of the right-to-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease requires payment of additional building expenses such as utilities, real estate taxes, insurance and maintenance, among other expenses, which are billed for reimbursement by the lessor at various times during the year.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note E – Leases (continued)

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the building class of assets.

The weighted-average remaining lease term in years and weighted-average discount rate for 2023, for the operating lease in effect is approximately 1.2 and 4.22%.

Future minimum lease payments under the non-cancelable operating lease with terms greater than one year are as follows as of December 31, 2023:

		<u>Operating</u>
2024	\$	10,200
2025		11,200
2026		<u>7,600</u>
Total		29,000
Less: interest		<u>(1,792)</u>
Present value of lease liabilities	\$	<u><u>27,208</u></u>

Note F – Retirement plan

Prior to January 1, 2004, the Foundation’s employees participated in the Employee Benefit Plan of the United Way of Greater Toledo. Effective January 1, 2004, the United Way of Greater Toledo amended the Plan to freeze participant benefit accruals as of December 31, 2003.

As of January 1, 2020 (the most recent valuation available) the actuarial value of the Plan assets was higher than the Plan’s current liability as computed in accordance with FASB Accounting Standards Codification topic, *Present Value of Accumulated Vested and Non-vested Benefits*. However, since the present value of benefits was greater than plan assets, the plan is requiring a contribution from participating employers. Contributions in future years may be required in order for the Plan to meet required minimum funding levels. In addition, the Organization may be required to provide additional funding to the extent that other participating affiliates do not meet their obligations related to these contributions. The accrued liability of \$5,191 and \$675 at December 31, 2023 and 2022, respectively, represents the Foundation’s allocated share of contributions.

Note G – Line of credit

The Foundation maintains a \$50,000 revolving demand note with Signature Bank, N.A. with an interest rate of prime plus .75% (8.50% at December 31, 2023). The line is secured by the Foundation’s Matthews fund investment account and contains certain covenants. The Foundation had no outstanding borrowings on the line of credit as of December 31, 2023 or 2022.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note H – In-kind contributions

In addition to the total support and revenue reported on the accompanying statement of activities, the Foundation also receives in-kind services and goods. Volunteers contribute their time in various positions for the Foundation. The Foundation believes that the donated services do not require specialized skills and, therefore, are not recognized in the financial statements. Donated goods are also received as in-kind contributions. The donated goods relate to items auctioned at fundraising events and are recorded as event revenue in the Statement of Activities. The amounts estimated for in-kind contributions were \$5,536 and \$10,704 for 2023 and 2022, respectively. The amount of donated rent was based upon what that the Foundation would have paid under the lease terms but had negotiated rent of \$850 per month through August 31, 2023 and \$650 per month for the year ending December 31, 2022.

Note I – Board designated net assets

There are two board designated funds, the Matthews Fund and the Endowment Fund. The Matthews Fund was originally designated by the Board for research purposes, however, in lieu of awarding a research grant, the Board approved a temporary spending policy allowing 5% of the averages of the preceding year's month-end market value to be used for operating expenses. During 2011, the board amended the spending policy to approve using the Matthews Fund to pay a consultant for fundraising and management services. At December 31, 2023 and 2022, the Matthews Fund totaled \$1,000,193 and \$638,675, respectively.

The trust agreement for the Endowment Fund stipulates that current and accumulated income may be distributed to the Foundation while no part of the principal may be distributed to or for the benefit of the Foundation. During 2000, the Board adopted an annual spending policy for the income that follows the total return concept of managing endowment funds. The spending policy makes available to the Foundation 5% of the average of the preceding calendar year's month-end market value balance. The amount used by the Foundation is subject to the Board approved budget. At December 31, 2023 and 2022, the Endowment Fund totaled \$554,921 and \$497,366, respectively.

Note J – Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) establishes a framework for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820 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 Foundation has the ability to access.

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note J – Fair value measurements (continued)

Level 2: Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at either December 31, 2023 or 2022.

Mutual and money market funds: Valued at the net asset value (NAV) of shares held by the fund at year end.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2023:

		Level 1
Money market funds	\$	38,143
Brokered CD		348,516
U.S. Treasury Bills		100,703
Mutual funds:		
Equity funds		732,576
Bond funds		282,393
International equity funds		52,783
Total mutual funds		1,067,752
Total	\$	1,555,114

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Note J – Fair value measurements (continued)

The Foundation’s investment assets at fair value as of December 31, 2022 were:

		Level 1	
Money market funds	\$	35,018	
U.S. Treasury Bills		391,905	
Mutual funds:			
Equity funds		382,878	
Bond funds		279,658	
International equity funds		46,582	
Total mutual funds		709,118	
Total	\$	744,136	

Note K – Endowments

The Foundation’s endowment consists of one fund established for a variety of purposes. Its endowment includes funds designated by the Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The State Prudent Management of Institutional Funds Act (SPMIFA) became effective in June of 2009. The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Acts (SPMIFA) as allowing a 5 percent spending rate that is calculated using the endowment fund’s average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is made. Applicable Ohio law prior to June 1, 2009, prohibited spending where fund assets did not appreciate in value in excess of the historic (original) dollar value of the fund. As of June 1, 2009 this prohibition no longer exists. On March 4, 2022, The Endowment Trust was amended to allow up to a 7 percent spending rate annually.

The following table outlines the composition of the Foundation’s endowment fund by net asset class at December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
Board designated endowment fund	\$ 554,921	\$ -	\$	554,921

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Note K – Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 497,366	\$ -	\$ 497,366
Investment gains (net with expenses of \$2,846)	85,306	-	85,306
Appropriation of endowment assets for expenditure	(27,751)	-	(27,751)
Endowment net assets, end of year	<u>\$ 554,921</u>	<u>\$ -</u>	<u>\$ 554,921</u>

The following table outlines the composition of the Foundation's endowment fund by net asset class at December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment fund	<u>\$ 497,366</u>	<u>\$ -</u>	<u>\$ 497,366</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 642,647	\$ -	\$ 642,647
Investment gains (net of expenses of \$2,694)	(114,198)	-	(114,198)
Appropriation of endowment assets for expenditure	(31,083)	-	(31,083)
Endowment net assets, end of year	<u>\$ 497,366</u>	<u>\$ -</u>	<u>\$ 497,366</u>

KIDNEY FOUNDATION OF NORTHWEST OHIO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note K – Endowments (continued)

Return objective and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually, actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the period 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.