
Financial statements of
The Kidney Foundation of Canada

December 31, 2015

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Independent Auditor's Report

To the Directors of
The Kidney Foundation of Canada

We have audited the accompanying financial statements of The Kidney Foundation of Canada, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Kidney Foundation of Canada derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Kidney Foundation of Canada. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenue over expenditures, and cash flows from operations for the years ended December 31, 2015 and 2014, current assets as at December 31, 2015 and 2014, and fund balances as at January 1 and December 31, 2015 and 2014. Our audit opinion on the financial statements for the year ended December 31, 2014 was also modified because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Kidney Foundation of Canada as at December 31, 2015, and the results of its operations and cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP¹

June 4, 2016

¹ CPA auditor, CA, public accountancy permit No. A125888

The Kidney Foundation of Canada

Statement of operations

Year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Public support	22,013,851	20,424,323
Bequests and in memoriam	3,102,158	2,667,621
Transfer of surplus from The Canadian Kidney Trustee Corporation (Note 14)	449,221	77,694
Investment income allocated to operations (Note 5)	423,368	546,353
	25,988,598	23,715,991
Fundraising expenditures	13,018,033	11,303,141
Net revenue	12,970,565	12,412,850
Expenditures		
Programs		
Research	3,289,539	3,513,915
Patient services	2,614,734	2,648,643
Organ donation	880,810	1,078,406
Public education services and communications	2,417,931	2,458,325
Kidney Foundation development	694,051	653,446
	9,897,065	10,352,735
Management and administration	2,961,540	2,754,822
Loss on disposal of capital assets	—	3,029
	12,858,605	13,110,586
Excess (deficiency) of revenue over expenditures before the following	111,960	(697,736)
Investment income not allocated to operations (Notes 5 and 6)	282,341	407,371
Excess (deficiency) of revenue over expenditures	394,301	(290,365)

The accompanying notes are an integral part of the financial statements.

The Kidney Foundation of Canada
Statement of changes in fund balances

Year ended December 31, 2015

	Unrestricted	Invested in capital assets	Internally restricted (Note 10)	Internally restricted for endowments (Note 8)	Externally restricted for endowments (Note 9)	Total
	\$	\$	\$	\$	\$	\$
Fund balances, January 1, 2014	1,112,311	511,869	5,242,085	1,863,809	4,353,518	13,083,592
(Deficiency) excess of revenue over expenditures excluding investment income not allocated to operations	(589,734)	(110,268)	2,266	—	—	(697,736)
Investment income not allocated to operations	407,371	—	—	—	—	407,371
Endowment contributions	—	—	—	—	9,272	9,272
Reinvested investment income	—	—	—	—	9,098	9,098
Interfund transfers	306,772	75,143	(403,811)	21,896	—	—
Interfund transfer to investment income reserve (Note 6)	(407,371)	—	407,371	—	—	—
Fund balances, December 31, 2014	829,349	476,744	5,247,911	1,885,705	4,371,888	12,811,597
Excess (deficiency) of revenue over expenditures excluding investment income not allocated to operations	178,660	(74,234)	7,534	—	—	111,960
Investment income not allocated to operations	282,341	—	—	—	—	282,341
Endowment contributions	—	—	—	—	16,474	16,474
Reinvested investment income	—	—	—	—	9,518	9,518
Interfund transfers	130,157	71,768	(226,376)	24,451	—	—
Interfund transfer to investment income reserve (Note 6)	(282,341)	—	282,341	—	—	—
Fund balances, December 31, 2015	1,138,166	474,278	5,311,410	1,910,156	4,397,880	13,231,890

The accompanying notes are an integral part of the financial statements.

The Kidney Foundation of Canada

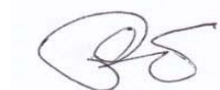
Statement of financial position

As at December 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash	1,769,446	1,919,028
Due from The Canadian Kidney Trustee Corporation (Note 14)	451,156	398,140
Interest and sundry receivable	1,722,233	1,142,100
Prepaid expenses	589,636	596,949
	4,532,471	4,056,217
Capital assets (Note 3)	1,107,381	1,135,544
Investments (Note 4)	13,459,741	13,392,451
	19,099,593	18,584,212
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	1,017,858	1,101,268
Deferred contributions (Note 7a)	3,949,821	3,895,408
Deferred contributions – KRESCENT program (Note 7b)	266,921	117,139
Deferred contributions – capital assets (Note 7c)	633,103	658,800
	5,867,703	5,772,615
Commitments and contractual obligations (Note 12)		
Fund balances		
Unrestricted	1,138,166	829,349
Contributed land	335,000	335,000
Invested in capital assets	139,278	141,744
Internally restricted (Note 10)	5,311,410	5,247,911
Internally restricted for endowments (Note 8)	1,910,156	1,885,705
Externally restricted for endowments (Note 9)	4,397,880	4,371,888
	13,231,890	12,811,597
	19,099,593	18,584,212

The accompanying notes are an integral part of the financial statements.

Approved by the Board



_____, Director



_____, Director

The Kidney Foundation of Canada

Statement of cash flows

Year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenditures	394,301	(290,365)
Adjustments for:		
Amortization of capital assets	117,398	144,439
Amortization of deferred contributions – capital assets	(43,164)	(37,200)
Loss on disposal of capital assets	—	3,029
Gain on sale of investments	(500,389)	(685,333)
Unrealized change in fair value of investments	(55,440)	(238,027)
Deferred contributions recognized as revenue	(1,618,205)	(1,891,224)
	(1,705,499)	(2,994,681)
Changes in non-cash operating working capital items		
Due from The Canadian Kidney Trustee Corporation	(53,016)	(99,694)
Interest and sundry receivable	(580,133)	(94,181)
Prepaid expenses	7,313	(1,537)
Accounts payable and accrued liabilities	(83,410)	159,417
	(709,246)	(35,995)
Increase in deferred contributions	1,580,491	2,159,452
Increase in deferred contributions – restricted investment income	259,376	372,758
	1,839,867	2,532,210
	(574,878)	(498,466)
Investing activities		
Acquisition of investments	(2,253,586)	(2,753,413)
Proceeds on sale of investments	2,742,125	3,452,504
Acquisition of capital assets	(89,235)	(75,143)
	399,304	623,948
Financing activities		
Endowment contributions	16,474	9,272
Reinvested investment income	9,518	9,098
	25,992	18,370
Net (decrease) increase in cash	(149,582)	143,852
Cash, beginning of year	1,919,028	1,775,176
Cash, end of year	1,769,446	1,919,028

The accompanying notes are an integral part of the financial statements.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

1. Mission of the Foundation

The Kidney Foundation of Canada (the “Kidney Foundation”) exists for the enhancement of kidney health and the reduction and, if possible, the elimination of the burden of kidney disease. The primary beneficiaries are people at risk of and/or affected by kidney disease. The Kidney Foundation provides:

- Hope through research and its translation into the treatment, prevention and slowing of the progression of kidney disease;
- Support through access to care, comfort, and transplantation;
- Empowerment through knowledge, capacity building and community, and
- Engagement through an informed public and effective public policies and strategies.

The Kidney Foundation relies on its extensive network of qualified volunteers working in partnership with staff to deliver its programs and services throughout Canada. The Kidney Foundation is a registered charity under the *Income Tax Act* and is incorporated under the laws of Canada.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and include the following significant accounting policies:

Financial instruments

Financial assets and liabilities are initially recognized at fair value when the Kidney Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are measured at fair value at the closing date. The fair value of investments is based on closing prices. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on sale and unrealized gains and losses, are included in investment income.

Transaction costs related to investments are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Kidney Foundation recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

2. Significant accounting policies (continued)

Revenue recognition

The Kidney Foundation uses the deferral method of accounting for contributions. Contributions are recognized in the year they are received. Pledged contributions not received are not recorded. Unrestricted contributions are recognized as revenue when received. Restricted contributions are recorded as deferred contributions and recognized as revenue when the related expense is incurred or the related capital assets are amortized. Contributions for endowments are recognized as direct increases in the endowment fund balance.

Unrestricted investment income is recognized as revenue when earned. Restricted investment income is recorded as a deferred contribution and is recognized when the related expense is incurred. Investment income required to be added to the endowment is recognized as a direct increase in the endowment fund balance.

Up to 4% of the fair value of investments is reported as investment income allocated to operations. The excess or shortfall, if any, is reported as investment income not allocated to operations and is transferred to the investment income reserve.

Revenues from fundraising activities are presented on a gross basis when the Kidney Foundation is considered to be the principal involved in the activity. Certain revenues generated from highly regulated government programs that result in net proceeds to the Kidney Foundation are recorded at the amount of net proceeds generated.

Donated services

The Kidney Foundation derives significant benefit from time and services donated by volunteers. These valuable contributions are not recorded in the financial statements.

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated lives. Furniture and fixtures and other capital assets are amortized over five years. Leasehold improvements are amortized over the remaining term of the lease. Computer equipment is amortized over three years. The building was donated and recorded at its appraised fair value and is being amortized over 25 years.

Allocations

The Kidney Foundation classifies its activities between the Kidney Foundation development, management and administration activities, and its four program-related activities: research, patients services, organ donation and public education services and communications. The costs of each activity include the direct costs associated with those activities, including personnel costs and other direct expenses. In addition, the Kidney Foundation incurs a certain number of common operating expenses in connection with these activities.

Where shared or indirect costs relate to more than one activity, the Kidney Foundation breaks down these costs according to efforts allocated to each activity. These costs include expenditures related to administrative staff, rental costs and other operating costs that cannot be charged directly to a specific activity. Eligible expenditures are allocated based on either physical space used or staff time allocated to an activity.

The Kidney Foundation allocates a portion of its fundraising costs to public education for one of its fundraising activities on the basis that some of the communication messages used in this activity are primarily educational in nature and promote public engagement. The costs are allocated based on management's best estimate of the portion of the direct costs of the educational materials that apply to a non-fundraising activity.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements, in conformity with Canadian ASNPO, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

3. Capital assets

	2015			2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	335,000	—	335,000	335,000
Building	930,000	293,100	636,900	658,800
Computer equipment	1,069,731	999,565	70,166	57,513
Furniture and fixtures	416,099	376,767	39,332	42,670
Leasehold improvements	157,746	142,037	15,709	25,141
Other	60,017	49,743	10,274	16,420
	2,968,593	1,861,212	1,107,381	1,135,544

4. Investments

	2015			2014		
	Fair value	Cost	Unrealized gain (loss)	Fair value	Cost	Unrealized gain (loss)
	\$	\$	\$	\$	\$	\$
Money Market Fund	13,835	13,944	(109)	13,754	13,784	(30)
Bond Funds	6,799,506	6,796,478	3,028	6,564,059	6,532,695	31,364
Canadian Equity Funds	1,947,047	2,192,087	(245,040)	2,168,145	2,198,472	(30,327)
International Equity Funds	2,398,377	1,830,514	567,863	2,103,778	1,774,256	329,522
U.S. Equity Funds	2,300,976	1,280,418	1,020,558	2,542,715	1,582,384	960,331
	13,459,741	12,113,441	1,346,300	13,392,451	12,101,591	1,290,860

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

5. Investment income

Investment income is composed of:

	2015	2014
	\$	\$
Gain on sale of investments	500,389	685,333
Fund distributions related to dividends and interest	418,774	412,220
Unrealized change in fair value of investments	55,440	238,027
	974,603	1,335,580

The presentation of investment income in the financial statements is as follows:

	2015	2014
	\$	\$
Statement of operations		
Investment income allocated to operations	423,368	546,353
Investment income not allocated to operations (Note 6)	282,341	407,371
Direct increase in deferred contributions		
Investment income from externally restricted endowment (Note 7a)	245,423	342,188
Investment income from Maria Delaky Fund (Note 7a)	13,953	30,570
Statement of changes in fund balances		
Investment income reinvested in endowment capital	9,518	9,098
	974,603	1,335,580

6. Investment income reserve

In accordance with the Kidney Foundation's income appropriation policy, investment income allocated to operations is determined at the beginning of the year as a percentage of the fair value of investments, with a maximum allocation of 4%. Excess income over the amount allocated is recorded as investment income not allocated to operations. In the event that the actual income is less than the amount allocated, the shortfall is taken from the investment income reserve and is recorded as a negative in the investment income not allocated to operations. The objectives of this policy are to provide a more stable amount of investment income to operations annually and to help maintain the capital, including in years when the market does not perform well.

	2015	2014
	\$	\$
Balance, beginning of year	1,142,117	734,746
Investment income not allocated to operations	282,341	407,371
Balance, end of year	1,424,458	1,142,117

The Investment Income Reserve is a component of Internally restricted funds (Note 10).

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

7. Deferred contributions

a) *Deferred contributions*

Deferred contributions consist of contributions which the donor has restricted to a specific purpose, plus restricted investment income on externally restricted endowments. These amounts are only recognized in income when expenditures meeting the restriction are incurred. The Kidney Foundation complies with these external restrictions.

	2015	2014
	\$	\$
Balance, beginning of year	3,895,408	3,052,965
Plus: contributions received	1,413,242	2,107,718
Plus: investment income from externally restricted endowments (Note 5)	245,423	342,188
Plus: investment income from Maria Delaky Fund (Note 5)	13,953	30,570
Less: amount recognized as revenue during the year	(1,618,205)	(1,638,033)
Balance, end of year	3,949,821	3,895,408

In accordance with the Kidney Foundation's income appropriation policy, investment income allocated to operations is determined at the beginning of the year as a percentage of the fair value of investments, with a maximum allocation of 4%. Excess restricted income over the amount allocated is recorded as deferred contributions. In the event that the actual income is less than the amount allocated, the shortfall is taken from the deferred contributions and is recorded as investment income allocated to operations. The objectives of this policy are to provide a more stable amount of investment income to operations annually and to help maintain the capital, including in years when the market does not perform well.

b) *Deferred contributions – KRESCENT program*

The Kidney Foundation is responsible for the Kidney Research Scientist Core Education and National Training Program (KRESCENT) secretariat that manages the overall program and raises and administers funds for the initiative. The funds raised by the Kidney Foundation, and dedicated to the program, are subject to the normal accounting policies and practices of the Kidney Foundation's research program.

	2015	2014
	\$	\$
Balance, beginning of year	117,139	318,596
Plus: sponsorships and donations received	149,782	51,734
Less: amount recognized as revenue during the year	—	(253,191)
Balance, end of year	266,921	117,139

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

7. Deferred contributions (continued)

c) *Deferred contributions – capital assets*

This balance includes donated capital assets and capital assets purchased with funds restricted for that purpose.

	2015	2014
	\$	\$
Balance, beginning of year	658,800	696,000
Plus: contributions received	17,467	—
Less: amount recognized as revenue during the year	(43,164)	(37,200)
Balance, end of year	633,103	658,800

8. Internally restricted for endowments

The endowment fund balance includes funds which have been designated as internally restricted endowments by the National Board of Directors and classified as internally restricted. The total internally restricted for endowments fund consists of the following:

	2015	2014
	\$	\$
Research	1,499,608	1,475,157
Other designated activities	220,000	220,000
Undesignated	190,548	190,548
	1,910,156	1,885,705

9. Externally restricted for endowments

Externally restricted for endowments consist of the original endowment contribution amounts.

	2015	2014
	\$	\$
Research	2,144,481	2,134,538
Other designated activities	1,923,466	1,908,826
Undesignated	329,933	328,524
	4,397,880	4,371,888

The fair value adjustment for the externally restricted endowments is reflected in the deferred contributions.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

10. Internally restricted fund balance

The internally restricted fund balance consists of resources designated by the National Board of Directors for specific purposes. This fund balance is comprised of the following components:

	2015	2014
	\$	\$
Commitment for research (including the KRESCENT program)	2,726,589	2,952,965
Investment income reserve (Note 6)	1,424,458	1,142,117
Operating reserve	1,000,000	1,000,000
Reserve for future capital expenditures	80,000	80,000
Restricted for research in Southern Alberta	49,270	49,270
Restricted for programs in Manitoba	31,093	23,559
	5,311,410	5,247,911

The operating reserve is consistent with the best practices recommended by the Canada Revenue Agency in its guidance *Fundraising by Registered Charities*.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$12,391 (\$15,750 as at December 31, 2014), of government remittances.

12. Commitments and contractual obligations

The Kidney Foundation has commitments for research (including the KRESCENT program). These commitments less deferred contributions for research amount to \$2,726,589. The Kidney Foundation has minimum rental obligations under existing long-term operating leases, exclusive of certain operating costs, for which the Kidney Foundation is also responsible totalling \$3,025,102. These amounts are expected to be disbursed in the forthcoming years as follows:

	Research commitments	Contractual obligations
	\$	\$
2016	1,586,415	861,885
2017	916,523	833,759
2018	198,651	585,723
2019	25,000	458,417
2020	—	243,386
2021 and thereafter	—	41,932

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

13. Allocations

As described in the accounting policies, management and administration expenditures have been allocated as follows:

	2015	2014
	\$	\$
Patient services	615,416	637,442
Fundraising expenditures	342,326	360,152
Public education services and communications	322,679	343,314
Research	273,187	262,257
Organ donation	204,661	275,215
Kidney Foundation development	90,626	93,937

As described in the accounting policies, certain expenditures incurred coincidentally with fundraising have been allocated to other activities as follows:

	2015	2014
	\$	\$
Public education services and communications	221,787	227,559

14. Related party transactions

The Kidney Foundation has an economic interest in The Canadian Kidney Trustee Corporation (the "Trust"), since the Trust is the national volunteer organization committed to raise funds in support of The Kidney Foundation of Canada by collecting and selling donated items including clothing and household goods. During the year, the Kidney Foundation carried out transactions with the Trust, which took place during the normal course of business and are measured at the exchange amount. The balance due between these related parties is presented separately in the financial statements.

During the year, the Kidney Foundation charged management fees of \$139,639 (\$145,588 in 2014) for the administrative services rendered.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

14. Related party transactions (continued)

Summary financial information of the Trust as at December 31, 2015 and 2014 and for the years then ended, is as follows:

	2015	2014
	\$	\$
Statement of financial position		
Assets	987,000	766,181
Liabilities	987,000	766,181
Deficit	—	—
	987,000	766,181
Liabilities include accounts payable to The Kidney Foundation of Canada for an amount of \$451,156 (\$398,140 in 2014).		
Statement of operations		
Total revenue	4,905,982	4,141,455
Total expenses	4,456,761	3,842,562
Transfer of surplus to The Kidney Foundation of Canada	449,221	77,694
Excess of revenue over expenditures	—	221,199

	2015	2014
	\$	\$
Statement of cash flows		
Operating activities	306,726	94,235
Investing activities	(12,172)	(83,050)
Financing activities	(4,726)	7,220
Net increase in cash	289,828	18,405

15. Financial instruments

Credit risk

The Kidney Foundation is exposed to credit risk to the extent that its donors and debtors may experience financial difficulty and would be unable to meet their obligations; however, the Kidney Foundation has a large number of diverse donors and debtors, which minimizes concentration of credit risk.

The Kidney Foundation of Canada

Notes to the financial statements

December 31, 2015

15. Financial instruments (continued)

Market risks

The Kidney Foundation's investment portfolios is subject to market risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. These risks include exposure to fluctuations in interest rates and in foreign currencies. The Kidney Foundation's investment portfolios is professionally managed following a diversified investment strategy to manage risk. The portfolio is monitored on a periodic basis by the Kidney Foundation's National Finance and Audit Committee.

Liquidity risk

The Kidney Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Kidney Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2015, the most significant financial liabilities are accounts payable and accrued liabilities.

16. Supplemental information

The total remuneration paid to employees of the province of Alberta whose principal duties include fundraising was as follows:

	2015	2014
	\$	\$
General fundraising	422,689	247,552