

**AMERICAN KIDNEY FUND, INC.  
AND AFFILIATE  
Rockville, Maryland**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
December 31, 2007 and 2006**

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## Independent Auditor's Report

Board of Trustees  
American Kidney Fund, Inc.  
Rockville, Maryland

We have audited the accompanying consolidated statements of financial position of the American Kidney Fund, Inc. (AKF) and its affiliate as of December 31, 2007 and 2006, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of AKF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the AKF and its affiliate as of December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Clifton Gunderson LLP*

Calverton, Maryland  
March 21, 2008

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2007 and 2006**

<b>ASSETS</b>		<b>2007</b>	<b>2006</b>
		<u>          </u>	<u>          </u>
Unrestricted assets:			
Cash and cash equivalents		\$ 6,715,867	\$ 5,737,978
Investments, at market value		24,334,464	15,356,718
Planned giving receivables		86,368	141,125
Pledges receivable		353,866	518,014
Donated medication inventory		315,804	315,396
Inventory		1,224	4,907
Property and equipment		516,606	541,688
Other assets		<u>480,718</u>	<u>257,717</u>
Total unrestricted assets		<u>32,804,917</u>	<u>22,873,543</u>
Restricted assets:			
Investments, at market value		<u>175,017</u>	<u>175,017</u>
Total restricted assets		<u>175,017</u>	<u>175,017</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 32,979,934</u></u>	<u><u>\$ 23,048,560</u></u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses		\$ 1,174,547	\$ 750,436
Annuities payable		<u>287,975</u>	<u>287,820</u>
<b>TOTAL LIABILITIES</b>		<u>1,462,522</u>	<u>1,038,256</u>
<b>NET ASSETS</b>			
Unrestricted:			
Undesignated		21,353,771	17,045,808
Board designated		<u>7,457,205</u>	<u>1,140,946</u>
Total unrestricted net assets		<u>28,810,976</u>	<u>18,186,754</u>
Temporarily restricted		2,531,419	3,648,533
Permanently restricted		<u>175,017</u>	<u>175,017</u>
Total restricted net assets		<u>2,706,436</u>	<u>3,823,550</u>
<b>TOTAL NET ASSETS</b>		<u>31,517,412</u>	<u>22,010,304</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 32,979,934</u></u>	<u><u>\$ 23,048,560</u></u>

These financial statements should be read only in connection  
with the accompanying summary of significant accounting policies  
and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2007 and 2006**

	<b>2007</b>			<b>2006</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>							
Public support:							
Contributions	\$ 109,884,762	\$ 689,336	\$ 110,574,098	\$ 84,615,881	\$ 3,114,770	\$ -	\$ 87,730,651
Planned giving	2,294,687	-	2,294,687	680,239	5,470	-	685,709
In-kind contributions	392,332	5,082,334	5,474,666	215,141	1,122,962	-	1,338,103
Special events, net of direct benefit donor costs of \$174,614 and \$96,949, respectively	281,700	-	281,700	165,915	-	-	165,915
Specialty programs	197,891	523,002	720,893	238,833	512,463	-	751,296
Total public support	<u>113,051,372</u>	<u>6,294,672</u>	<u>119,346,044</u>	<u>85,916,009</u>	<u>4,755,665</u>	<u>-</u>	<u>90,671,674</u>
Revenue:							
Investment income	2,177,646	19,175	2,196,821	1,703,465	21,445	-	1,724,910
Mailing list rental	118,633	-	118,633	95,945	-	-	95,945
Total revenue	<u>2,296,279</u>	<u>19,175</u>	<u>2,315,454</u>	<u>1,799,410</u>	<u>21,445</u>	<u>-</u>	<u>1,820,855</u>
Losses: uncollectible pledges	(4,000)	-	(4,000)	(1,500)	(17,500)	(25,000)	(44,000)
Total support and revenue before net assets released from restrictions	115,343,651	6,313,847	121,657,498	87,713,919	4,759,610	(25,000)	92,448,529
Net assets released from restrictions	<u>7,430,961</u>	<u>(7,430,961)</u>	<u>-</u>	<u>5,107,520</u>	<u>(5,107,520)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>122,774,612</u>	<u>(1,117,114)</u>	<u>121,657,498</u>	<u>92,821,439</u>	<u>(347,910)</u>	<u>(25,000)</u>	<u>92,448,529</u>
<b>EXPENSES</b>							
Program services:							
Direct patient aid	102,696,935	-	102,696,935	84,025,081	-	-	84,025,081
Public and professional education	5,408,243	-	5,408,243	4,635,651	-	-	4,635,651
Research	166,810	-	166,810	92,931	-	-	92,931
Community services	70,156	-	70,156	54,379	-	-	54,379
Kidney donor development	10,789	-	10,789	6,829	-	-	6,829
Total program services	<u>108,352,933</u>	<u>-</u>	<u>108,352,933</u>	<u>88,814,871</u>	<u>-</u>	<u>-</u>	<u>88,814,871</u>
Supporting services:							
Fundraising	2,971,006	-	2,971,006	2,958,162	-	-	2,958,162
Management and general	826,451	-	826,451	623,775	-	-	623,775
Total supporting services	<u>3,797,457</u>	<u>-</u>	<u>3,797,457</u>	<u>3,581,937</u>	<u>-</u>	<u>-</u>	<u>3,581,937</u>
Total expenses	<u>112,150,390</u>	<u>-</u>	<u>112,150,390</u>	<u>92,396,808</u>	<u>-</u>	<u>-</u>	<u>92,396,808</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 10,624,222</u>	<u>\$ (1,117,114)</u>	<u>\$ 9,507,108</u>	<u>\$ 424,631</u>	<u>\$ (347,910)</u>	<u>\$ (25,000)</u>	<u>\$ 51,721</u>

These financial statements should be read only in connection  
with the accompanying summary of significant accounting policies  
and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**Years Ended December 31, 2007 and 2006**

	<u>Unrestricted</u>				<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
<b>BEGINNING BALANCES, January 1, 2006</b>	\$ 15,706,115	\$ 2,056,008	\$ 3,996,443	\$ 200,017	\$ 21,958,583
Change in net assets	424,631	-	(347,910)	(25,000)	51,721
Board designation transfer	<u>915,062</u>	<u>(915,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING BALANCES, December 31, 2006</b>	17,045,808	1,140,946	3,648,533	175,017	22,010,304
Change in net assets	10,624,222	-	(1,117,114)	-	9,507,108
Board designation transfer	<u>(6,316,259)</u>	<u>6,316,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING BALANCES, December 31, 2007</b>	<u>\$ 21,353,771</u>	<u>\$ 7,457,205</u>	<u>\$ 2,531,419</u>	<u>\$ 175,017</u>	<u>\$ 31,517,412</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2007**

	Program Services					Supporting Services			Total 2007 Expenses	
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Kidney Donor Devlpmt.	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
<b>EXPENSES</b>										
Grants and awards	\$ 100,349,315	\$ -	\$ 150,649	\$ -	\$ -	\$ 100,499,964	\$ -	\$ -	\$ -	\$ 100,499,964
Salaries and related expenses	1,253,633	1,958,748	6,768	18,067	4,068	3,241,284	704,812	605,813	1,310,625	4,551,909
Postage and shipping	61,000	600,535	264	1,810	17	663,626	762,619	2,507	765,126	1,428,752
Printing	39,525	534,883	27	481	1,204	576,120	713,855	2,011	715,866	1,291,986
Professional fees	302,894	524,342	455	3,289	255	831,235	190,035	37,429	227,464	1,058,699
Occupancy	185,029	229,232	805	2,051	452	417,569	83,262	66,328	149,590	567,159
Advertising and promotion	7,211	450,214	73	16	29	457,543	45,789	2,370	48,159	505,702
Conferences, meetings and travel	37,191	205,431	6,269	39,043	3,096	291,030	76,624	11,843	88,467	379,497
IT related costs	131,977	137,849	575	1,863	322	272,586	55,044	47,311	102,355	374,941
Fairs and exhibits	-	316,619	-	1,276	-	317,895	15,077	-	15,077	332,972
Data processing	3,964	113,160	17	44	10	117,195	131,026	1,420	132,446	249,641
Office supplies and expenses	125,455	65,047	229	916	129	191,776	35,091	18,867	53,958	245,734
Other outside services	108,313	38,673	242	357	4	147,589	35,007	613	35,620	183,209
Depreciation and amortization	50,505	68,798	220	560	123	120,206	29,786	18,105	47,891	168,097
Mailing list rental	-	58,900	-	-	-	58,900	64,003	-	64,003	122,903
Dues and subscriptions	22,279	45,827	97	247	1,054	69,504	17,847	7,988	25,835	95,339
Telephone	18,127	59,504	118	130	25	77,904	10,935	3,661	14,596	92,500
Loss on disposal of equipment	517	481	2	6	1	1,007	194	185	379	1,386
<b>Total functional expenses</b>	<u>\$ 102,696,935</u>	<u>\$ 5,408,243</u>	<u>\$ 166,810</u>	<u>\$ 70,156</u>	<u>\$ 10,789</u>	<u>\$ 108,352,933</u>	<u>\$ 2,971,006</u>	<u>\$ 826,451</u>	<u>\$ 3,797,457</u>	112,150,390
Direct benefit to donor costs										<u>174,614</u>
<b>TOTAL EXPENSES</b>										<u>\$ 112,325,004</u>

These financial statements should be read only in connection  
with the accompanying summary of significant accounting policies  
and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2006**

	Program Services					Supporting Services			Total 2006 Expenses	
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Kidney Donor Devlpmt.	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
<b>EXPENSES</b>										
Grants and awards	\$ 81,985,794	\$ -	\$ 66,769	\$ -	\$ -	\$ 82,052,563	\$ -	\$ -	\$ -	\$ 82,052,563
Salaries and related expenses	1,055,701	1,607,410	12,498	17,223	2,488	2,695,320	649,967	457,388	1,107,355	3,802,675
Postage and shipping	96,848	599,347	347	111	1	696,654	797,611	1,870	799,481	1,496,135
Printing	62,958	626,493	422	108	1,301	691,282	708,791	1,836	710,627	1,401,909
Professional fees	212,916	393,893	1,149	3,262	161	611,381	297,650	32,980	330,630	942,011
Occupancy	189,570	200,690	1,785	2,039	250	394,334	74,784	51,246	126,030	520,364
Conferences, meetings and travel	43,464	191,162	7,234	26,060	1,946	269,866	56,337	10,410	66,747	336,613
Advertising and promotion	4,767	274,478	51	6	45	279,347	6,213	1,289	7,502	286,849
Data processing	3,825	115,149	36	41	5	119,056	145,532	1,034	146,566	265,622
IT related costs	106,047	88,371	892	1,668	125	197,103	36,965	25,586	62,551	259,654
Fairs and exhibits	-	235,319	-	1,533	61	236,913	2,130	-	2,130	239,043
Office supplies and expenses	101,180	60,523	542	688	76	163,009	25,924	15,565	41,489	204,498
Depreciation and amortization	59,392	67,888	559	639	78	128,556	30,308	16,056	46,364	174,920
Other outside services	66,661	36,659	370	685	3	104,378	33,589	557	34,146	138,524
Mailing list rental	-	52,540	-	-	-	52,540	67,707	-	67,707	120,247
Dues and subscriptions	22,141	35,864	207	236	279	58,727	16,349	5,940	22,289	81,016
Telephone	13,817	49,865	70	80	10	63,842	8,305	2,018	10,323	74,165
Total functional expenses	<u>\$ 84,025,081</u>	<u>\$ 4,635,651</u>	<u>\$ 92,931</u>	<u>\$ 54,379</u>	<u>\$ 6,829</u>	<u>\$ 88,814,871</u>	<u>\$ 2,958,162</u>	<u>\$ 623,775</u>	<u>\$ 3,581,937</u>	92,396,808
Direct benefit to donor costs										<u>96,949</u>
<b>TOTAL EXPENSES</b>										<u>\$ 92,493,757</u>

These financial statements should be read only in connection  
with the accompanying summary of significant accounting policies  
and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 113,463,968	\$ 89,238,992
Cash received from special events, net	273,949	171,665
Cash received mailing list rental	118,633	95,945
Cash paid to patients, suppliers and employees	(106,196,902)	(88,137,160)
Investment income received	800,065	538,078
	<u>8,459,713</u>	<u>1,907,520</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturity of investments	41,253,577	8,265,110
Purchase of investments	(48,591,000)	(10,150,277)
Proceeds from sales of equipment	9,000	-
Purchases of property and equipment	(153,401)	(116,218)
	<u>(7,481,824)</u>	<u>(2,001,385)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	977,889	(93,865)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,737,978</u>	<u>5,831,843</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 6,715,867</u>	<u>\$ 5,737,978</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,507,108	\$ 51,721
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	168,097	174,920
Loss on disposal of equipment	1,386	-
In-kind property and equipment donation	-	(19,203)
Donated investments	(305,332)	(47,636)
Realized and unrealized gain on investments	(1,334,991)	(1,190,593)
Amortization of free rent	35,280	35,280
Provisions for uncollectible pledges	4,000	44,000
Effects of changes in operating assets and liabilities:		
Planned giving receivables	54,757	104,619
Pledges receivable	124,868	20,103
Donated medication inventory	(408)	2,811,925
Inventory	3,683	13,056
Other assets	(223,001)	(160,966)
Accounts payable and accrued expenses	424,111	25,598
Annuities payable	155	44,696
	<u>\$ 8,459,713</u>	<u>\$ 1,907,520</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**December 31, 2007 and 2006**

The American Kidney Fund, Inc. (AKF) is a nonprofit voluntary health organization that serves people throughout the United States with and at risk for kidney disease through direct financial assistance, comprehensive education, clinical research, and community service programs. AKF's major sources of revenue are from contributions and investment income. The American Kidney Fund Service Organization, an affiliate of the AKF, is a supporting organization to AKF. The fiscal year-end for both organizations is December 31. Significant accounting policies followed by AKF are presented below.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of the AKF and its affiliate, the American Kidney Fund Service Organization. Intercompany transactions and balances have been eliminated in consolidation.

**BASIS OF ACCOUNTING**

The consolidated financial statements have been prepared on the accrual basis of accounting and utilize the principles outlined in Statement of Financial Accounting Standards No. 117, which requires AKF to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased that are used to fund current obligations. Money market accounts and certificates of deposit held for investment are recorded and classified as investments.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**December 31, 2007 and 2006**

**INVESTMENTS**

Investments consist of corporate stock, exchange traded funds, certificates of deposit, corporate bonds and notes, U. S. government securities, mutual funds and money market accounts. Investments are presented in the financial statements at quoted fair values with changes in the fair value reflected in revenue currently. Interest, dividends and realized gains and losses are recorded as revenue when earned.

**INVENTORY**

Inventories are stated at the lower of cost or market using the first-in, first-out method. Such inventories consist of undistributed medications utilized for the direct patient aid program and printed materials used in direct mailings for educational and fundraising purposes.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over estimated useful lives of three to ten years. Leasehold improvements are amortized over the life of the lease.

**ANNUITIES PAYABLE**

AKF has received as contributions charitable gift annuities from donors who have stipulated that AKF is to make annuity payments for life to an annuitant designated by the donor with the principal reverting to AKF after the death of the annuitant. AKF has recorded the assets at fair value and the liabilities to the annuitant at the present value of the estimated future payments to be distributed by AKF to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as unrestricted revenue, unless otherwise restricted by the donor. AKF invests these assets in cash and marketable securities in accordance with the governing state's investment regulations.

**CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donated assets are recognized as contribution revenue at their estimated fair market value on the date of donation.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**December 31, 2007 and 2006**

**PLANNED GIVING**

AKF is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

AKF records planned giving receivables that are expected to be collected within one year at net realizable value. Planned giving receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. In 2007 and 2006, five percent was used as the discount rate. Accretion of the discounts is recognized as contribution revenue on a straight-line basis.

**IN-KIND CONTRIBUTIONS**

Medications and other materials that are contributed by manufactures are included in the statements of activities within public support as in-kind contributions at their estimated fair market value on the date of donation and within program expense when distributed to patients as part of the direct patient aid program. Estimated fair market value of such donations is determined by the price available to AKF. Other in-kind contributions, such as donated property and equipment and free advertising, are included in the statement of activities within public support as in-kind contributions at their estimated fair market value on the date of donation and either capitalized, as it relates to equipment, or shown in the representative functional expense category the gift relates to.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain supporting general and administrative costs have been allocated among the programs and supporting services benefited.

The following program and supporting services are included in the accompanying financial statements:

*Direct Patient Aid* – AKF provides direct financial assistance and in-kind grants to dialysis and kidney transplant patients and living kidney donors to help with the costs of medication, transportation, health insurance premiums, and other treatment necessities.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**December 31, 2007 and 2006**

**FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)**

*Public and Professional Education* – AKF educates the American public about the prevention, symptoms, causes, treatment and psychosocial aspects of kidney disease through a toll free Help Line; a wide range of printed educational materials, including selections in Spanish; organ donation educational materials; and the Minority Intervention and Kidney Education (MIKE) program. In addition to this AKF conducts regional professional conferences and conducts dinner meetings geared toward nephrologists/primary care physicians and staff in the offices.

*Research* – The Clinical Scientist in Nephrology Program enables promising young nephrologists to conduct clinical research and pursue academic careers for the benefit of patients with kidney disease. A nationally recognized panel of experts in the field selects award recipients.

*Community Services* – AKF sponsors a weekend getaway for pediatric kidney patients and provides grants to allow pediatric kidney patients to attend summer camp.

*Kidney Donor Development* – AKF promotes awareness and advocacy for organ transplantation through active involvement in alliances of national groups and local coalitions dedicated to educating the public about organ and tissue donation; distributing organ donor cards, booklets, and bumper stickers; and encouraging people to sign an organ donor card and inform family members about their decision.

*Fundraising* – Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations.

*Management and General* – Management and general services provide for the direction of the overall affairs of AKF through executive, financial, and administrative services.

**INCOME TAXES**

AKF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is designated a "publicly supported" organization under Section 509(a)(1) of the Internal Revenue Code.

**RECLASSIFICATION**

Certain amounts in the prior year's presentation have been reclassified to conform with the current year's presentation. These reclassifications have no effect on previously reported changes in net assets.

This information is an integral part of the accompanying consolidated financial statements.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 1 – INVESTMENTS**

The following summarizes AKF's investments as of December 31, 2007:

	<u>Cost</u>	<u>Accumulated Net Unrealized Gains (Losses)</u>	<u>Market Value</u>
Unrestricted:			
Corporate stock	\$ 13,903,594	\$ 484,701	\$ 14,388,295
Certificates of deposit	2,016,000	(2,963)	2,013,037
Corporate bonds and notes	1,942,270	19,096	1,961,366
U. S. government securities	4,845,916	143,508	4,989,424
Money market accounts	<u>982,342</u>	<u>-</u>	<u>982,342</u>
Total unrestricted	<u>23,690,122</u>	<u>644,342</u>	<u>24,334,464</u>
Restricted:			
U. S. government securities	<u>170,372</u>	<u>4,645</u>	<u>175,017</u>
Total restricted	<u>170,372</u>	<u>4,645</u>	<u>175,017</u>
<b>Total investments</b>	<u>\$ 23,860,494</u>	<u>\$ 648,987</u>	<u>\$ 24,509,481</u>

The following summarizes AKF's investments as of December 31, 2006:

	<u>Cost</u>	<u>Accumulated Net Unrealized Gains (Losses)</u>	<u>Market Value</u>
Unrestricted:			
Corporate stock	\$ 9,573,887	\$ 832,672	\$ 10,406,559
Certificates of deposit	370,000	(8,384)	361,616
Corporate bonds and notes	1,566,271	34,228	1,600,499
U. S. government securities	1,224,127	(10,907)	1,213,220
Mutual funds	850,849	200,527	1,051,376
Money market accounts	<u>723,448</u>	<u>-</u>	<u>723,448</u>
Total unrestricted	<u>14,308,582</u>	<u>1,048,136</u>	<u>15,356,718</u>
Restricted:			
U. S. government securities	102,808	(86)	102,722
Corporate bonds and notes	<u>71,908</u>	<u>387</u>	<u>72,295</u>
Total restricted	<u>174,716</u>	<u>301</u>	<u>175,017</u>
<b>Total investments</b>	<u>\$ 14,483,298</u>	<u>\$ 1,048,437</u>	<u>\$ 15,531,735</u>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 1 – INVESTMENTS (CONTINUED)**

Investment income for the years ended December 31 consists of:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 993,018	\$ 645,698
Realized and unrealized appreciation	1,334,991	1,190,593
Investment advisory fees	<u>(131,188)</u>	<u>(111,381)</u>
<b>Total</b>	<b><u>\$ 2,196,821</u></b>	<b><u>\$ 1,724,910</u></b>

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject AKF to concentration of credit risk, include cash and cash equivalents and investments. It is AKF's practice to place its cash and cash equivalents and investments in high credit quality institutions to mitigate this risk.

**NOTE 3 – PLANNED GIVING RECEIVABLES**

The balance of planned giving receivables as of December 31 is as follows:

	<u>2007</u>	<u>2006</u>
Planned giving receivables	\$ 86,618	\$ 156,250
Less: Allowance for doubtful accounts	<u>(250)</u>	<u>(15,125)</u>
<b>Net planned giving receivables</b>	<b><u>\$ 86,368</u></b>	<b><u>\$ 141,125</u></b>
Amounts due in:		
Less than one year	\$ 81,618	\$ 151,250
One to five years	-	-
More than five years	<u>5,000</u>	<u>5,000</u>
<b>Total</b>	<b><u>\$ 86,618</u></b>	<b><u>\$ 156,250</u></b>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 4 – PROPERTY AND EQUIPMENT**

AKF's property and equipment consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Office equipment	\$ 757,456	\$ 670,092
Furniture and fixtures	132,047	128,220
Leasehold improvements	<u>282,641</u>	<u>277,523</u>
Total	1,172,144	1,075,835
Less: accumulated depreciation	<u>(655,538)</u>	<u>(534,147)</u>
<b>Total</b>	<u>\$ 516,606</u>	<u>\$ 541,688</u>

**NOTE 5 – UNRESTRICTED NET ASSETS - BOARD DESIGNATED**

At December 31, 2007 and 2006 the Board of Trustees designated \$7,457,205 and \$1,140,946, respectively, in unrestricted funds for patient grants to be expended in January of 2008 and 2007, respectively and to begin a reserve for emergency patient grant situations.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<u>2007</u>	<u>2006</u>
Research	\$ 427,226	\$ 466,292
Patient aid	1,801,029	2,382,741
Office build out and in-kind donated rent	258,720	294,000
Public and professional education	<u>44,444</u>	<u>505,500</u>
<b>Total</b>	<u>\$ 2,531,419</u>	<u>\$ 3,648,533</u>

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

In accordance with donor stipulations, these assets are held (and invested) in perpetuity and the income derived from these assets is to be used as specified by the donor. Permanent restrictions were for the following purposes:

	<u>2007</u>	<u>2006</u>
Patient aid	\$ 169,026	\$ 169,026
Research	<u>5,991</u>	<u>5,991</u>
<b>Total</b>	<u>\$ 175,017</u>	<u>\$ 175,017</u>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 8 – COMMITMENTS**

AKF is committed under a lease agreement for office space for its headquarters, which expires on June 30, 2012. The lease contains a five-year renewal option. The lease, among other items, requires rent increases based on the consumer price index, real estate taxes and operating costs. In addition, AKF is obligated under leases for office space in Long Island and Harlem, New York and Chicago, Illinois. The lease in Long Island, New York expires on January 15, 2009; the lease in Harlem, New York expires September 2008; and the Chicago, Illinois lease expires February 28, 2008.

Occupancy expense for office space was \$567,159 and \$520,364 in 2007 and 2006, respectively. Approximate future minimum obligations under non-cancellable office leases and other operating leases/contracts are as follows at December 31:

	<u>Office Leases</u>	<u>Contracts/ Other Leases</u>	<u>Total</u>
2008	\$ 487,324	\$ 517,133	\$ 1,004,457
2009	496,105	414,586	910,691
2010	510,326	117,216	627,542
2011	524,007	117,216	641,223
2012	<u>267,915</u>	<u>64,948</u>	<u>332,863</u>
<b>Total</b>	<u>\$ 2,285,677</u>	<u>\$ 1,231,099</u>	<u>\$ 3,516,776</u>

**NOTE 9 – PUBLIC SUPPORT**

During 2007, AKF continued its tradition of broad-based public support with over 140,000 contributors. AKF received public support from two corporations in the amount of \$93,033,450 and \$69,154,169 for 2007 and 2006, respectively. These contributions represented 76 percent and 75 percent of the total support and revenue for 2007 and 2006, respectively. These two corporations are part of approximately 300 corporations which supported AKF patient grant programs during 2007 and 2006.

**NOTE 10 – JOINT COSTS**

For the years ended December 31, 2007 and 2006, AKF incurred joint costs of \$2,875,449 and \$2,990,534, respectively for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2007 and 2006 were allocated as follows:

	<u>2007</u>	<u>2006</u>
Fundraising	\$ 1,557,589	\$ 1,673,549
Public education	<u>1,317,860</u>	<u>1,316,985</u>
<b>Total</b>	<u>\$ 2,875,449</u>	<u>\$ 2,990,534</u>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2007 and 2006**

**NOTE 11 – IN-KIND CONTRIBUTIONS**

During 2007 AKF received 15,404 bottles of Renagel 800 mg tablets; 250 Hectoral .5 capsules; 250 Hectoral 2.5 capsules; and 17 Hectoral IV ampules. These donations were valued at \$5,082,334. As of December 31, 2007 undistributed medications totaled \$315,804.

During 2006 AKF received 6,600 bottles of Renagel 800 mg tablets; 5,000 Hectoral .5 capsules; and 21 Hectoral IV ampules. These donations were valued at \$1,122,962. As of December 31, 2006 undistributed medications totaled \$315,396.

In addition to donated medical products AKF received other donated items. In-kind contributions for the years ended December 31 consist of the following:

	<u>2007</u>	<u>2006</u>
Medical product	\$ 5,082,334	\$ 1,122,962
Advertising	392,332	195,938
Furniture and equipment	<u>-</u>	<u>19,203</u>
<b>Total in-kind contributions</b>	<u>\$ 5,474,666</u>	<u>\$ 1,338,103</u>

**NOTE 12 – RETIREMENT PLANS**

AKF maintains a Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. AKF contributes 2 percent of participants' eligible compensation, plus matches 100 percent of amounts deferred under the Section 403(b) Plan, up to five percent of compensation. AKF's contributions were \$180,084 and \$158,825 for 2007 and 2006, respectively.

AKF also maintains a nonqualified Section 457 deferred compensation plan allowing top hat executives to elect to defer compensation up to the maximum allowed under IRS regulations. AKF does not contribute to this plan.

This information is an integral part of the accompanying consolidated financial statements.