

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

**CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2006 and 2005**

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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, 2006 and 2005, 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 American Kidney Fund, Inc. and its affiliate as of December 31, 2006 and 2005, 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.

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Calverton, Maryland
 March 30, 2007

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AMERICAN KIDNEY FUND, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

ASSETS		
	2006	2005
Unrestricted:		
Cash and cash equivalents	\$ 5,737,978	\$ 5,831,843
Investments, at market value	15,356,718	12,228,322
Planned giving receivables	141,125	245,744
Pledges receivable	518,014	597,397
Donated medication inventory	315,396	3,127,321
Inventory	4,907	17,963
Property and equipment	541,688	581,187
Other assets	257,717	96,751
Total unrestricted net assets	22,873,543	22,726,528
Restricted assets:		
Cash and cash equivalents	-	17,789
Investments, at market value	175,017	162,228
Pledges receivable	-	20,000
Total restricted assets	175,017	200,017
TOTAL ASSETS	\$23,048,560	\$22,926,545
LIABILITIES		
Accounts payable and accrued expenses	\$ 750,436	\$ 724,838
Annuities payable	287,820	243,124
TOTAL LIABILITIES	1,038,256	967,962
NET ASSETS		
Unrestricted:		
Undesignated	17,045,808	15,706,115
Board designated	1,140,946	2,056,008
Total unrestricted net assets	18,186,754	17,762,123
Temporarily restricted	3,648,533	3,996,443
Permanently restricted	175,017	200,017
Total restricted net assets	3,823,550	4,196,460
TOTAL NET ASSETS	22,010,304	21,958,583
TOTAL LIABILITIES AND NET ASSETS	\$23,048,560	\$22,926,545

These consolidated 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, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Public support:								
Contributions	\$ 84,615,881	\$ 3,114,770	\$ -	\$ 87,730,651	\$ 70,714,674	\$ 985,826	\$ 25,000	\$ 71,725,500
Planned giving	680,239	5,470	-	685,709	914,189	5,917	-	920,106
In-kind contributions	215,141	1,122,962	-	1,338,103	72,743	5,995,645	-	6,068,388
Special events, net of direct benefit donor costs of \$96,949 and \$110,166, respectively	165,915	-	-	165,915	100,794	-	-	100,794
Specialty programs	<u>238,833</u>	<u>512,463</u>	<u>-</u>	<u>751,296</u>	<u>226,402</u>	<u>441,455</u>	<u>-</u>	<u>667,857</u>
Total public support	<u>85,916,009</u>	<u>4,755,665</u>	<u>-</u>	<u>90,671,674</u>	<u>72,028,802</u>	<u>7,428,843</u>	<u>25,000</u>	<u>79,482,645</u>
Revenue:								
Investment income	1,703,465	21,445	-	1,724,910	788,552	17,187	-	805,739
Mailing list rental	<u>95,945</u>	<u>-</u>	<u>-</u>	<u>95,945</u>	<u>126,178</u>	<u>-</u>	<u>-</u>	<u>126,178</u>
Total revenue	<u>1,799,410</u>	<u>21,445</u>	<u>-</u>	<u>1,820,855</u>	<u>914,730</u>	<u>17,187</u>	<u>-</u>	<u>931,917</u>
Losses: uncollectible pledges	<u>(1,500)</u>	<u>(17,500)</u>	<u>(25,000)</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue before net assets released from restrictions	87,713,919	4,759,610	(25,000)	92,448,529	72,943,532	7,446,030	25,000	80,414,562
Net assets released from restrictions	<u>5,107,520</u>	<u>(5,107,520)</u>	<u>-</u>	<u>-</u>	<u>4,226,305</u>	<u>(4,226,305)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>92,821,439</u>	<u>(347,910)</u>	<u>(25,000)</u>	<u>92,448,529</u>	<u>77,169,837</u>	<u>3,219,725</u>	<u>25,000</u>	<u>80,414,562</u>
EXPENSES:								
Program services:								
Direct patient aid	84,025,081	-	-	84,025,081	65,451,079	-	-	65,451,079
Public and professional education	4,635,651	-	-	4,635,651	3,057,448	-	-	3,057,448
Research	92,931	-	-	92,931	165,000	-	-	165,000
Community services	54,379	-	-	54,379	53,992	-	-	53,992
Kidney donor development	<u>6,829</u>	<u>-</u>	<u>-</u>	<u>6,829</u>	<u>7,824</u>	<u>-</u>	<u>-</u>	<u>7,824</u>
Total program services	<u>88,814,871</u>	<u>-</u>	<u>-</u>	<u>88,814,871</u>	<u>68,735,343</u>	<u>-</u>	<u>-</u>	<u>68,735,343</u>
Supporting services:								
Fundraising	2,958,162	-	-	2,958,162	2,543,523	-	-	2,543,523
Management and general	<u>623,775</u>	<u>-</u>	<u>-</u>	<u>623,775</u>	<u>735,723</u>	<u>-</u>	<u>-</u>	<u>735,723</u>
Total supporting services	<u>3,581,937</u>	<u>-</u>	<u>-</u>	<u>3,581,937</u>	<u>3,279,246</u>	<u>-</u>	<u>-</u>	<u>3,279,246</u>
Total expenses	<u>92,396,808</u>	<u>-</u>	<u>-</u>	<u>92,396,808</u>	<u>72,014,589</u>	<u>-</u>	<u>-</u>	<u>72,014,589</u>
CHANGE IN NET ASSETS	<u>\$ 424,631</u>	<u>\$ (347,910)</u>	<u>\$ (25,000)</u>	<u>\$ 51,721</u>	<u>\$ 5,155,248</u>	<u>\$ 3,219,725</u>	<u>\$ 25,000</u>	<u>\$ 8,399,973</u>

These consolidated 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, 2006 and 2005

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>			
BEGINNING BALANCES, JANUARY 1, 2005	\$ 12,606,875	\$ -	\$ 776,718	\$ 175,017	\$ 13,558,610
Change in net assets	5,155,248	-	3,219,725	25,000	8,399,973
Board designation transfer	<u>(2,056,008)</u>	<u>2,056,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING BALANCES, DECEMBER 31, 2005	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>
ENDING BALANCES, DECEMBER 31, 2006	<u>\$ 17,045,808</u>	<u>\$ 1,140,946</u>	<u>\$ 3,648,533</u>	<u>\$ 175,017</u>	<u>\$ 22,010,304</u>

These consolidated 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

	<u>Program Services</u>					<u>Supporting Services</u>				
	<u>Direct Patient Aid</u>	<u>Public and Professional Education</u>	<u>Research</u>	<u>Community Services</u>	<u>Kidney Donor Devlpmt.</u>	<u>Total Program Services</u>	<u>Fund-raising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total 2006 Expenses</u>
EXPENSES:										
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
Office supplies and expenses	207,227	148,894	1,434	2,356	201	360,112	62,889	41,151	104,040	464,152
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
Fairs and exhibits	-	235,319	-	1,533	61	236,913	2,130	-	2,130	239,043
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>
TOTAL EXPENSES										<u>\$ 92,493,757</u>

These consolidated 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, 2005

	<u>Program Services</u>					<u>Supporting Services</u>				
	<u>Direct Patient Aid</u>	<u>Public and Professional Education</u>	<u>Research</u>	<u>Community Services</u>	<u>Kidney Donor Devlpmt.</u>	<u>Total Program Services</u>	<u>Fund-raising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total 2005 Expenses</u>
EXPENSES:										
Grants and awards	\$ 63,539,488	\$ -	\$ 142,693	\$ -	\$ -	\$ 63,682,181	\$ -	\$ -	\$ -	\$ 63,682,181
Salaries and related expenses	966,308	1,141,851	9,713	18,978	2,974	2,139,824	480,789	528,529	1,009,318	3,149,142
Postage and shipping	75,989	347,819	175	518	6	424,507	788,186	788	788,974	1,213,481
Printing	31,578	311,478	98	149	1,575	344,878	579,051	3,976	583,027	927,905
Professional fees	243,939	263,295	1,436	5,126	341	514,137	207,736	57,971	265,707	779,844
Occupancy	196,513	174,221	1,481	2,239	352	374,806	66,677	59,808	126,485	501,291
Office supplies and expenses	163,074	103,930	904	1,662	166	269,736	47,291	38,091	85,382	355,118
Conferences, meetings and travel	62,650	195,861	7,599	22,805	1,867	290,782	72,883	16,993	89,876	380,658
Advertising and promotion	10,100	74,812	115	18	76	85,121	5,144	3,074	8,218	93,339
Data processing	3,229	70,074	24	37	6	73,370	148,918	982	149,900	223,270
Fairs and exhibits	2,666	198,594	-	1,188	61	202,509	7,474	-	7,474	209,983
Other outside services	65,938	36,994	152	341	5	103,430	41,067	880	41,947	145,377
Depreciation and amortization	51,734	48,310	390	589	93	101,116	22,193	15,746	37,939	139,055
Mailing list rental	-	23,731	-	-	-	23,731	50,705	-	50,705	74,436
Dues and subscriptions	24,575	21,997	165	250	289	47,276	16,801	6,665	23,466	70,742
Telephone	11,743	43,455	43	74	10	55,325	8,154	1,748	9,902	65,227
Loss on disposal of equipment	<u>1,555</u>	<u>1,026</u>	<u>12</u>	<u>18</u>	<u>3</u>	<u>2,614</u>	<u>454</u>	<u>472</u>	<u>926</u>	<u>3,540</u>
Total functional expenses	<u>\$ 65,451,079</u>	<u>\$ 3,057,448</u>	<u>\$ 165,000</u>	<u>\$ 53,992</u>	<u>\$ 7,824</u>	<u>\$ 68,735,343</u>	<u>\$ 2,543,523</u>	<u>\$ 735,723</u>	<u>\$ 3,279,246</u>	<u>\$ 72,014,589</u>
Direct benefit to donor costs										<u>110,166</u>
TOTAL EXPENSES										<u>\$ 72,124,755</u>

These consolidated 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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 89,238,992	\$ 72,954,726
Cash received from special events, net	171,665	95,044
Cash received from mailing list rental	95,945	126,178
Cash paid to patients, suppliers and employees	(88,137,160)	(68,652,577)
Investment income received	<u>538,078</u>	<u>287,984</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,907,520</u>	<u>4,811,355</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	8,265,110	6,090,275
Purchase of investments	(10,150,277)	(6,400,587)
Assets restricted for long-term investment	-	(11,734)
Proceeds from sales of equipment	-	3,126
Purchases of property and equipment	<u>(116,218)</u>	<u>(400,846)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,001,385)</u>	<u>(719,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions permanently restricted	<u>-</u>	<u>5,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(93,865)	4,096,589
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,831,843</u>	<u>1,735,254</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,737,978</u>	<u>\$ 5,831,843</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 51,721	\$ 8,399,973
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	174,920	139,055
Loss on disposal of equipment	-	3,540
In-kind office space and property and equipment	(19,203)	(395,984)
Donated investments	(47,636)	(182,304)
Realized and unrealized gain on investments	(1,190,593)	(475,473)
Amortization of free rent	35,280	23,520
Contribution permanently restricted	-	(5,000)
Provisions for uncollectible pledges	44,000	-
Effects of changes in operating assets and liabilities:		
Planned giving receivables	104,619	(68,186)
Pledges receivable	20,103	(108,997)
Donated medication inventory	2,811,925	(2,897,641)
Inventory	13,056	20,128
Other assets	(160,966)	(20,869)
Accounts payable and accrued expenses	25,598	289,759
Annuities payable	<u>44,696</u>	<u>89,834</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,907,520</u>	<u>\$ 4,811,355</u>

These consolidated 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, 2006 and 2005

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 American Kidney Fund, Inc., 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 American Kidney Fund, Inc. 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, 2006 and 2005

INVESTMENTS

Investments consist of corporate stock, 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, 2006 and 2005

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 2006 and 2005, 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, 2006 and 2005

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, 2006 and 2005

NOTE 1 – INVESTMENTS

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

	<u>Cost</u>	<u>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>
Total investments	<u>\$ 14,483,298</u>	<u>\$ 1,048,437</u>	<u>\$ 15,531,735</u>

The following summarizes AKF's investments as of December 31, 2005:

	<u>Cost</u>	<u>Net Unrealized Gains (Losses)</u>	<u>Market Value</u>
Unrestricted:			
Corporate stock	\$ 7,032,237	\$ 984,972	\$ 8,017,209
Certificates of deposit	1,244,000	(14,584)	1,229,416
Corporate bonds and notes	1,082,740	3,417	1,086,157
U. S. government securities	870,420	(78,637)	791,783
Mutual funds	467,339	66,478	533,817
Money market accounts	<u>569,940</u>	<u>-</u>	<u>569,940</u>
Total unrestricted	<u>11,266,676</u>	<u>961,646</u>	<u>12,228,322</u>
Restricted:			
U. S. government securities	76,876	(1,923)	74,953
Corporate bonds and notes	<u>92,045</u>	<u>(4,770)</u>	<u>87,275</u>
Total restricted	<u>168,921</u>	<u>(6,693)</u>	<u>162,228</u>
Total investments	<u>\$ 11,435,597</u>	<u>\$ 954,953</u>	<u>\$ 12,390,550</u>

AMERICAN KIDNEY FUND, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 – INVESTMENTS (CONTINUED)

Investment income for the years ended December 31 consists of:

	<u>2006</u>	<u>2005</u>
Dividends and interest	\$ 645,698	\$ 424,924
Realized and unrealized appreciation	1,190,593	475,473
Investment advisory fees	<u>(111,381)</u>	<u>(94,658)</u>
Total	<u>\$ 1,724,910</u>	<u>\$ 805,739</u>

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>2006</u>	<u>2005</u>
Planned giving receivables	\$ 156,250	\$ 258,369
Less: Allowance for doubtful accounts	<u>(15,125)</u>	<u>(12,625)</u>
Net planned giving receivables	<u>\$ 141,125</u>	<u>\$ 245,744</u>
Amounts due in:		
Less than one year	\$ 151,250	\$ 253,369
One to five years	-	-
More than five years	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 156,250</u>	<u>\$ 258,369</u>

AMERICAN KIDNEY FUND, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Office equipment	\$ 670,092	\$ 624,010
Furniture and fixtures	128,220	118,680
Leasehold improvements	<u>277,523</u>	<u>265,264</u>
Total	1,075,835	1,007,954
Less: accumulated depreciation	<u>(534,147)</u>	<u>(426,767)</u>
Total	<u>\$ 541,688</u>	<u>\$ 581,187</u>

NOTE 5 – UNRESTRICTED NET ASSETS - BOARD DESIGNATED

At December 31, 2006 and 2005 the Board of Trustees designated \$1,140,946 and \$2,056,008, respectively, in unrestricted funds for patient grants to be expended in January of 2007 and 2006, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>2006</u>	<u>2005</u>
Research	\$ 466,292	\$ 380,170
Patient aid	2,382,741	3,261,993
Office build out and in-kind donated rent	294,000	329,280
Public and professional education	<u>505,500</u>	<u>25,000</u>
Total	<u>\$ 3,648,533</u>	<u>\$ 3,996,443</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>2006</u>	<u>2005</u>
Patient aid	\$ 169,026	\$ 194,026
Research	<u>5,991</u>	<u>5,991</u>
Total	<u>\$ 175,017</u>	<u>\$ 200,017</u>

AMERICAN KIDNEY FUND, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 New York and Chicago. The lease in New York expires on January 15, 2008 and the lease in Chicago expires February 28, 2007.

Occupancy expense for office space was \$520,364 and \$501,291 in 2006 and 2005, respectively. Approximate future minimum obligations under noncancellable 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>
2007	\$ 479,930	\$ 348,452	\$ 828,382
2008	478,710	15,717	494,427
2009	491,605	-	491,605
2010	505,826	-	505,826
2011	519,506	-	519,506
Thereafter	<u>301,665</u>	<u>-</u>	<u>301,665</u>
Total	<u>\$ 2,777,242</u>	<u>\$ 364,169</u>	<u>\$ 3,141,410</u>

NOTE 9 – PUBLIC SUPPORT

AKF received public support from two corporations (three in 2005) in the amount of \$69,154,169 and \$53,964,359 for 2006 and 2005, respectively. These contributions represent 75 percent and 67 percent of the total support and revenue for 2006 and 2005, respectively.

NOTE 10 – JOINT COSTS

For the years ended December 31, 2006 and 2005, AKF incurred joint costs of \$2,990,534 and \$2,152,151, respectively for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2006 and 2005 were allocated as follows:

	<u>2006</u>	<u>2005</u>
Fundraising	\$ 1,673,549	\$ 1,476,855
Public education	<u>1,316,985</u>	<u>675,296</u>
Total	<u>\$ 2,990,534</u>	<u>\$ 2,152,151</u>

AMERICAN KIDNEY FUND, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 11 – IN-KIND CONTRIBUTIONS

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

During 2005 AKF received 19,200 bottles of Renagel 800 mg tablets; 1,320 bottles of Hectoral 2.5 capsules; 690 Hectoral .5 capsules and 20 Hectoral IV ampules. These donations were valued at \$5,581,370. As of December 31, 2005 undistributed medications totaled \$3,127,321.

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>2006</u>	<u>2005</u>
Medical product	\$ 1,122,962	\$ 5,581,370
Office space	-	352,800
Advertising	195,938	66,034
Furniture and equipment	19,203	43,184
Adjunct Symposium Fee	<u>-</u>	<u>25,000</u>
Total in-kind contributions	<u>\$ 1,338,103</u>	<u>\$ 6,068,388</u>

NOTE 12 – CHANGE IN NET ASSETS

AKF received a \$2,000,000 contribution on December 22, 2006, which will support Medicare Part D patient grant distributions starting April 2007. If this advanced contribution had been received in 2007 rather than 2006, the change in net assets for 2006 would have been \$(1,948,279).

NOTE 13 – 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 \$158,825 and \$123,647 for 2006 and 2005, 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.