

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

**CONSOLIDATED  
FINANCIAL STATEMENTS  
December 31, 2008 and 2007**

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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, 2008 and 2007, 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, 2008 and 2007, 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 20, 2009

## **FINANCIAL STATEMENTS**

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Unrestricted assets:		
Cash and cash equivalents	\$ 1,986,285	\$ 6,715,867
Investments, at market value	16,632,778	24,334,464
Planned giving receivables	377,678	86,368
Pledges receivable	309,313	353,866
Donated medication inventory	183,711	315,804
Inventory	5,964	1,224
Property and equipment	1,150,049	516,606
Other assets	1,003,004	480,718
Total unrestricted assets	21,648,782	32,804,917
Restricted assets:		
Investments, at market value	175,017	175,017
Total restricted assets	175,017	175,017
<b>TOTAL ASSETS</b>	<b>\$ 21,823,799</b>	<b>\$ 32,979,934</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,156,530	\$ 1,059,205
Due to broker	399,731	115,342
Annuities payable	293,277	287,975
<b>TOTAL LIABILITIES</b>	<b>1,849,538</b>	<b>1,462,522</b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	17,024,198	21,353,771
Board designated	933,367	7,457,205
Total unrestricted net assets	17,957,565	28,810,976
Temporarily restricted	1,841,679	2,531,419
Permanently restricted	175,017	175,017
Total restricted net assets	2,016,696	2,706,436
<b>TOTAL NET ASSETS</b>	<b>19,974,261</b>	<b>31,517,412</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,823,799</b>	<b>\$ 32,979,934</b>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2008 and 2007**

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Public support:						
Contributions	\$ 114,421,939	\$ 4,280,929	\$ 118,702,868	\$ 109,884,762	\$ 689,336	\$ 110,574,098
Planned giving	1,948,615	-	1,948,615	2,294,687	-	2,294,687
In-kind contributions	185,891	3,207,244	3,393,135	392,332	5,082,334	5,474,666
Special events, net of direct benefit donor costs of \$114,984 and \$174,614, respectively	257,525	-	257,525	281,700	-	281,700
Specialty programs	153,871	570,440	724,311	197,891	523,002	720,893
Total public support	<u>116,967,841</u>	<u>8,058,613</u>	<u>125,026,454</u>	<u>113,051,372</u>	<u>6,294,672</u>	<u>119,346,044</u>
Revenue:						
Investment income (loss)	(4,985,021)	19,549	(4,965,472)	2,177,646	19,175	2,196,821
Mailing list rental	99,934	-	99,934	118,633	-	118,633
Total revenue	<u>(4,885,087)</u>	<u>19,549</u>	<u>(4,865,538)</u>	<u>2,296,279</u>	<u>19,175</u>	<u>2,315,454</u>
Losses: uncollectible pledges	-	-	-	(4,000)	-	(4,000)
Total support and revenue before net assets released from restrictions	112,082,754	8,078,162	120,160,916	115,343,651	6,313,847	121,657,498
Net assets released from restrictions	8,767,902	(8,767,902)	-	7,430,961	(7,430,961)	-
Total support and revenue	<u>120,850,656</u>	<u>(689,740)</u>	<u>120,160,916</u>	<u>122,774,612</u>	<u>(1,117,114)</u>	<u>121,657,498</u>
<b>EXPENSES</b>						
Program services:						
Direct patient aid	121,860,970	-	121,860,970	102,696,935	-	102,696,935
Public and professional education	5,464,906	-	5,464,906	5,408,243	-	5,408,243
Research	168,182	-	168,182	166,810	-	166,810
Community services	56,675	-	56,675	70,156	-	70,156
Kidney donor development	4,298	-	4,298	10,789	-	10,789
Total program services	<u>127,555,031</u>	<u>-</u>	<u>127,555,031</u>	<u>108,352,933</u>	<u>-</u>	<u>108,352,933</u>
Supporting services:						
Fundraising	3,107,042	-	3,107,042	2,971,006	-	2,971,006
Management and general	1,041,994	-	1,041,994	826,451	-	826,451
Total supporting services	<u>4,149,036</u>	<u>-</u>	<u>4,149,036</u>	<u>3,797,457</u>	<u>-</u>	<u>3,797,457</u>
Total expenses	<u>131,704,067</u>	<u>-</u>	<u>131,704,067</u>	<u>112,150,390</u>	<u>-</u>	<u>112,150,390</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (10,853,411)</u>	<u>\$ (689,740)</u>	<u>\$ (11,543,151)</u>	<u>\$ 10,624,222</u>	<u>\$ (1,117,114)</u>	<u>\$ 9,507,108</u>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**Years Ended December 31, 2008 and 2007**

	<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, 2007</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>	21,353,771	7,457,205	2,531,419	175,017	31,517,412
Change in net assets	(10,853,411)	-	(689,740)	-	(11,543,151)
Board designation transfer	<u>6,523,838</u>	<u>(6,523,838)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING BALANCES, December 31, 2008</b>	<u>\$ 17,024,198</u>	<u>\$ 933,367</u>	<u>\$ 1,841,679</u>	<u>\$ 175,017</u>	<u>\$ 19,974,261</u>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2008**

	Program Services					Supporting Services				Total 2008 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	\$ 119,515,001	\$ -	\$ 155,190	\$ -	\$ -	\$ 119,670,191	\$ -	\$ -	\$ -	\$ 119,670,191
Salaries and related expenses	1,469,543	2,320,232	1,339	10,540	950	3,802,604	877,501	786,807	1,664,308	5,466,912
Postage and shipping	98,258	383,288	377	1,695	-	483,618	758,863	96	758,959	1,242,577
Printing	23,789	432,542	96	25	963	457,415	599,610	1,694	601,304	1,058,719
Professional fees	133,105	514,313	35	2,679	82	650,214	210,430	41,968	252,398	902,612
Occupancy	147,999	260,267	58	1,054	138	409,516	95,620	70,320	165,940	575,456
Conferences, meetings and travel	33,655	286,245	10,305	38,287	55	368,547	76,462	14,919	91,381	459,928
IT related costs	121,252	191,608	47	863	113	313,883	73,173	57,611	130,784	444,667
Fairs and exhibits	4,286	350,187	196	30	-	354,699	174	-	174	354,873
Advertising and promotion	2,298	249,141	1	16	1	251,457	48,030	1,092	49,122	300,579
Office supplies and expenses	112,135	91,602	20	356	46	204,159	39,589	23,742	63,331	267,490
Data processing	3,596	85,862	1	26	3	89,488	147,002	1,709	148,711	238,199
Depreciation and amortization	56,972	99,211	22	406	53	156,664	42,749	27,070	69,819	226,483
Other outside services	104,872	39,028	483	333	1	144,717	36,628	571	37,199	181,916
Dues and subscriptions	19,826	59,669	8	141	1,884	81,528	20,150	9,420	29,570	111,098
Mailing list rental	-	38,650	-	150	-	38,800	67,897	-	67,897	106,697
Telephone	12,827	60,982	3	63	8	73,883	12,312	4,236	16,548	90,431
Loss on disposal of equipment	1,556	2,079	1	11	1	3,648	852	739	1,591	5,239
Total functional expenses	<u>\$ 121,860,970</u>	<u>\$ 5,464,906</u>	<u>\$ 168,182</u>	<u>\$ 56,675</u>	<u>\$ 4,298</u>	<u>\$ 127,555,031</u>	<u>\$ 3,107,042</u>	<u>\$ 1,041,994</u>	<u>\$ 4,149,036</u>	131,704,067
Direct benefit to donor costs										<u>114,984</u>
<b>TOTAL EXPENSES</b>										<u>\$ 131,819,051</u>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT 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>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 121,093,757	\$ 113,463,968
Cash received from special events, net	259,701	273,949
Cash received mailing list rental	99,934	118,633
Cash paid to patients, suppliers and employees	(128,074,369)	(106,196,902)
Investment income received	<u>638,967</u>	<u>800,065</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(5,982,010)</u>	<u>8,459,713</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturity of investments	17,295,945	41,253,577
Purchase of investments	(15,186,448)	(48,591,000)
Proceeds from sales of equipment	-	9,000
Purchases of property and equipment	<u>(857,069)</u>	<u>(153,401)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>1,252,428</u>	<u>(7,481,824)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,729,582)	977,889
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,715,867</u>	<u>5,737,978</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,986,285</u>	<u>\$ 6,715,867</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (11,543,151)	\$ 9,507,108
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	226,483	168,097
Loss on disposal of equipment	5,239	1,386
In-kind property and equipment donation	(8,097)	-
Donated investments	-	(305,332)
Realized and unrealized loss (gain) on investments	5,592,190	(1,334,991)
Amortization of free rent	35,280	35,280
Provisions for uncollectible pledges	-	4,000
Effects of changes in operating assets and liabilities:		
Planned giving receivables	(291,310)	54,757
Pledges receivable	9,273	124,868
Donated medication inventory	132,093	(408)
Inventory	(4,740)	3,683
Other assets	(522,286)	(223,001)
Accounts payable and accrued expenses	97,325	308,769
Due to broker	284,389	115,342
Annuities payable	<u>5,302</u>	<u>155</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (5,982,010)</u>	<u>\$ 8,459,713</u>

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The American Kidney Fund, Inc. (AKF) is a nonprofit voluntary health organization that fights kidney disease through direct financial support to patients in need; health education; and prevention efforts. 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.

**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.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. AKF capitalizes assets over \$1,000.

**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.

**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 2008 and 2007, five percent was used as the discount rate. Accretion of the discounts is recognized as contribution revenue on a straight-line basis.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Contributions**

Medications and other materials that are contributed by manufacturers 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. AKF also provides financial support to pediatric kidney patients to participate in summer or day camps and provides scholarships to kidney patients attending vocational or higher learning institutions.

*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 calendar art contest and weekend getaway for pediatric kidney patients.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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, and booklets; 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, community groups and corporations.

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

**Change in Accounting Principles**

Effective January 1, 2008, AKF adopted FASB Statement No. 157, "Fair Value Measurements" (FAS 157), which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on AKF's financial statements

**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.

**NOTE 2 – INVESTMENTS**

SFAS 157 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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**NOTE 2 – INVESTMENTS (CONTINUED)**

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

As of December 31, 2008, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investment securities. Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active at the mean of the last bid and asked prices on such exchange or at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy and are reported as current assets in the accompanying consolidated balance sheets.

The following summarizes AKF's investments using Fair Value Measurements at December 31, 2008:

	<u>Cost</u>	<u>Accumulated Net Unrealized Gains (Losses)</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Unrestricted:			
Corporate stock	\$ 10,627,795	\$ (3,511,999)	\$ 7,115,796
Certificates of deposit	396,000	113	396,113
Corporate bonds and notes	3,181,100	(70,070)	3,111,030
U. S. government securities	3,107,697	253,018	3,360,715
Money market accounts	<u>2,649,124</u>	<u>-</u>	<u>2,649,124</u>
Total unrestricted	<u>19,961,716</u>	<u>(3,328,938)</u>	<u>16,632,778</u>
Restricted:			
U. S. government securities	<u>157,151</u>	<u>17,866</u>	<u>175,017</u>
Total restricted	<u>157,151</u>	<u>17,866</u>	<u>175,017</u>
<b>Total investments</b>	<u><u>\$ 20,118,867</u></u>	<u><u>\$ (3,311,072)</u></u>	<u><u>\$ 16,807,795</u></u>

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**NOTE 2 – INVESTMENTS (CONTINUED)**

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><u>\$ 23,860,494</u></u>	<u><u>\$ 648,987</u></u>	<u><u>\$ 24,509,481</u></u>

Investment income for the years ended December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 779,724	\$ 993,018
Realized and unrealized (depreciation) appreciation	(5,592,190)	1,334,991
Investment advisory fees	<u>(153,006)</u>	<u>(131,188)</u>
<b>Total</b>	<u><u>\$ (4,965,472)</u></u>	<u><u>\$ 2,196,821</u></u>

**NOTE 3 – 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.

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**NOTE 4 – PLANNED GIVING RECEIVABLES**

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

	<u>2008</u>	<u>2007</u>
Planned giving receivables	\$ 377,678	\$ 86,618
Less: Allowance for doubtful accounts	<u>-</u>	<u>(250)</u>
<b>Net planned giving receivables</b>	<b><u>\$ 377,678</u></b>	<b><u>\$ 86,368</u></b>
Amounts due in:		
Less than one year	\$ 372,678	\$ 81,618
One to five years	-	-
More than five years	<u>5,000</u>	<u>5,000</u>
<b>Total</b>	<b><u>\$ 377,678</u></b>	<b><u>\$ 86,618</u></b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 1,464,083	\$ 757,456
Furniture and fixtures	151,133	132,047
Leasehold improvements	<u>377,184</u>	<u>282,641</u>
Total	1,992,400	1,172,144
Less: accumulated depreciation	<u>(842,351)</u>	<u>(655,538)</u>
<b>Total</b>	<b><u>\$ 1,150,049</u></b>	<b><u>\$ 516,606</u></b>

**NOTE 6 – UNRESTRICTED NET ASSETS - BOARD DESIGNATED**

At December 31, 2008 and 2007 the Board of Trustees designated \$933,367 and \$7,457,205, respectively, in unrestricted funds for patient grants to be expended in January of 2009 and 2008, respectively, and to begin a reserve for emergency patient grant situations.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<u>2008</u>	<u>2007</u>
Research	\$ 436,964	\$ 427,226
Patient aid	1,158,872	1,801,029
Office build out and in-kind donated rent	223,440	258,720
Public and professional education	<u>22,403</u>	<u>44,444</u>
<b>Total</b>	<b><u>\$ 1,841,679</u></b>	<b><u>\$ 2,531,419</u></b>

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**NOTE 8 – 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>2008</u>	<u>2007</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>

**NOTE 9 – 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. The lease in Long Island, New York expires on January 15, 2010 and the lease in Harlem, New York expires September 2009.

Occupancy expense for office space was \$575,456 and \$567,159 in 2008 and 2007, 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>
2009	\$ 615,070	\$ 572,176	\$ 1,187,246
2010	643,187	112,656	755,843
2011	661,267	112,656	773,923
2012	<u>348,715</u>	<u>62,668</u>	<u>411,383</u>
<b>Total</b>	<u>\$ 2,268,239</u>	<u>\$ 860,156</u>	<u>\$ 3,128,395</u>

**NOTE 10 – PUBLIC SUPPORT**

During 2008, AKF continued its tradition of broad-based public support with over 105,000 active contributors and 159,000 gifts. AKF received public support from two corporations in the amount of \$96,657,452 and \$93,033,450 for 2008 and 2007, respectively. These contributions represented 80 percent and 76 percent of the total support and revenue for 2008 and 2007, respectively. These two corporations are part of approximately 340 corporations which supported AKF patient grant programs during 2008 and 2007.

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**NOTE 11 – JOINT COSTS**

For the years ended December 31, 2008 and 2007, AKF incurred joint costs of \$2,381,727 and \$2,875,449, respectively for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2008 and 2007 were allocated as follows:

	<u>2008</u>	<u>2007</u>
Fundraising	\$ 1,528,625	\$ 1,557,589
Public education	<u>853,102</u>	<u>1,317,860</u>
<b>Total</b>	<u>\$ 2,381,727</u>	<u>\$ 2,875,449</u>

**NOTE 12 – IN-KIND CONTRIBUTIONS**

During 2008 AKF received 4,736 bottles of Renvela 800 mg tablets; 2,520 bottles (180 tablet count) of Renagel 800 mg tablets; 5,000 bottles (30 tablet count) of Renagel 800 mg tablets; 200 Hectoral .5 capsules; 1,200 Hectoral 2.5 capsules and 19 Hectoral IV ampules. These donations were valued at \$3,207,244. As of December 31, 2008 undistributed medications totaled \$183,711.

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.

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>2008</u>	<u>2007</u>
Medical product	\$ 3,207,244	\$ 5,082,334
Advertising and exhibit fees	177,794	392,332
Furniture and equipment	<u>8,097</u>	<u>-</u>
<b>Total in-kind contributions</b>	<u>\$ 3,393,135</u>	<u>\$ 5,474,666</u>

**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 \$214,626 and \$180,084 for 2008 and 2007, 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.

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**NOTE 14 – RISKS AND UNCERTAINTIES**

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

During 2008, financial markets as a whole have incurred significant declines in value. As of March 20, 2009, AKF's investment portfolio has also incurred a significant decline in the values reported in the accompanying financial statements. However, because the values of individual investments fluctuate with market conditions, the amount of investment losses that AKF will recognize in its future financial statements, if any, cannot be determined.