

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

**CONSOLIDATED  
FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

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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, 2010 and 2009, 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 AKF and its affiliate as of December 31, 2010 and 2009, 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, 2011

## **FINANCIAL STATEMENTS**

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,163,145	\$ 5,561,137
Investments, at market value	15,183,597	20,517,439
Planned giving receivables	19,589	64,883
Pledges receivable	6,415,162	897,319
Donated medication inventory	3,174,615	652,076
Property and equipment	1,829,928	1,332,646
Other assets	994,528	494,820
<b>TOTAL ASSETS</b>	<b>\$ 28,780,564</b>	<b>\$ 29,520,320</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,194,976	\$ 844,172
Due to broker	-	13,096
Annuities payable	314,689	277,210
<b>TOTAL LIABILITIES</b>	<b>1,509,665</b>	<b>1,134,478</b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	22,376,723	21,285,197
Board designated	-	2,271,813
Total unrestricted net assets	22,376,723	23,557,010
Temporarily restricted	4,719,159	4,653,815
Permanently restricted	175,017	175,017
Total restricted net assets	4,894,176	4,828,832
<b>TOTAL NET ASSETS</b>	<b>27,270,899</b>	<b>28,385,842</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,780,564</b>	<b>\$ 29,520,320</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, 2010 and 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Public support:						
Contributions	\$ 206,762,649	\$ 1,323,925	\$ 208,086,574	\$ 159,997,098	\$ 5,408,794	\$ 165,405,892
Planned giving	1,204,431	-	1,204,431	552,391	-	552,391
In-kind contributions	535,362	9,532,430	10,067,792	412,573	5,256,042	5,668,615
Special events, net of direct benefit donor costs of \$270,588 and \$279,923, respectively	1,138,295	-	1,138,295	716,733	-	716,733
Specialty programs	196,829	527,347	724,176	193,221	550,836	744,057
Total public support	<u>209,837,566</u>	<u>11,383,702</u>	<u>221,221,268</u>	<u>161,872,016</u>	<u>11,215,672</u>	<u>173,087,688</u>
Revenue:						
Investment income	2,111,137	5,380	2,116,517	3,058,327	6,808	3,065,135
Mailing list rental	114,163	-	114,163	128,444	-	128,444
Total revenue	<u>2,225,300</u>	<u>5,380</u>	<u>2,230,680</u>	<u>3,186,771</u>	<u>6,808</u>	<u>3,193,579</u>
Total support and revenue before net assets released from restrictions	212,062,866	11,389,082	223,451,948	165,058,787	11,222,480	176,281,267
Net assets released from restrictions	11,323,738	(11,323,738)	-	8,410,344	(8,410,344)	-
Total support and revenue	<u>223,386,604</u>	<u>65,344</u>	<u>223,451,948</u>	<u>173,469,131</u>	<u>2,812,136</u>	<u>176,281,267</u>
<b>EXPENSES</b>						
Program services:						
Direct patient aid	212,776,430	-	212,776,430	157,642,092	-	157,642,092
Public and professional education	6,694,984	-	6,694,984	5,397,631	-	5,397,631
Research	287,586	-	287,586	197,070	-	197,070
Community services	59,751	-	59,751	132,397	-	132,397
Total program services	<u>219,818,751</u>	<u>-</u>	<u>219,818,751</u>	<u>163,369,190</u>	<u>-</u>	<u>163,369,190</u>
Supporting services:						
Fundraising	3,315,905	-	3,315,905	3,203,769	-	3,203,769
Management and general	1,432,235	-	1,432,235	1,296,727	-	1,296,727
Total supporting services	<u>4,748,140</u>	<u>-</u>	<u>4,748,140</u>	<u>4,500,496</u>	<u>-</u>	<u>4,500,496</u>
Total expenses	<u>224,566,891</u>	<u>-</u>	<u>224,566,891</u>	<u>167,869,686</u>	<u>-</u>	<u>167,869,686</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (1,180,287)</u>	<u>\$ 65,344</u>	<u>\$ (1,114,943)</u>	<u>\$ 5,599,445</u>	<u>\$ 2,812,136</u>	<u>\$ 8,411,581</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, 2010 and 2009**

	<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, 2009</b>	\$ 17,024,198	\$ 933,367	\$ 1,841,679	\$ 175,017	\$ 19,974,261
Change in net assets	5,599,445	-	2,812,136	-	8,411,581
Board designation transfer	<u>(1,338,446)</u>	<u>1,338,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING BALANCES, December 31, 2009</b>	21,285,197	2,271,813	4,653,815	175,017	28,385,842
Change in net assets	(1,180,287)	-	65,344	-	(1,114,943)
Board designation transfer	<u>2,271,813</u>	<u>(2,271,813)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING BALANCES, December 31, 2010</b>	<u>\$ 22,376,723</u>	<u>\$ -</u>	<u>\$ 4,719,159</u>	<u>\$ 175,017</u>	<u>\$ 27,270,899</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, 2010**

	Program Services				Supporting Services			Total 2010 Expenses	
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
<b>EXPENSES</b>									
Grants and awards	\$ 209,295,090	\$ -	\$ 262,569	\$ -	\$ 209,557,659	\$ -	\$ -	\$ -	\$ 209,557,659
Salaries and related expenses	2,061,880	2,765,667	11,140	9,772	4,848,459	1,187,607	1,060,203	2,247,810	7,096,269
Professional fees	158,018	776,309	237	2,424	936,988	389,468	43,381	432,849	1,369,837
Printing	35,922	473,847	249	14,007	524,025	498,987	1,427	500,414	1,024,439
Postage and shipping	144,741	350,014	515	1,305	496,575	492,006	5,006	497,012	993,587
Occupancy	233,041	300,495	525	430	534,491	115,317	95,968	211,285	745,776
IT related costs	307,756	294,735	605	495	603,591	130,771	110,451	241,222	844,813
Advertising and promotion	747	533,755	2	1	534,505	49,954	308	50,262	584,767
Conferences, meetings and travel	49,702	238,738	9,940	27,089	325,469	116,090	15,314	131,404	456,873
Fairs and exhibits	9,408	407,432	474	1,674	418,988	2,856	515	3,371	422,359
Office supplies and expenses	112,470	92,953	152	728	206,303	45,350	27,832	73,182	279,485
Depreciation and amortization	133,398	160,761	301	246	294,706	68,940	54,935	123,875	418,581
Data processing	5,000	108,843	11	9	113,863	133,248	2,059	135,307	249,170
Other outside services	178,474	32,673	788	352	212,287	25,544	593	26,137	238,424
Telephone	29,248	80,424	30	24	109,726	15,274	5,433	20,707	130,433
Dues and subscriptions	21,459	48,656	48	39	70,202	13,246	8,779	22,025	92,227
Mailing list rental	-	29,606	-	1,156	30,762	31,215	-	31,215	61,977
Loss on disposal of equipment	76	76	-	-	152	32	31	63	215
Total functional expenses	<u>\$ 212,776,430</u>	<u>\$ 6,694,984</u>	<u>\$ 287,586</u>	<u>\$ 59,751</u>	<u>\$ 219,818,751</u>	<u>\$ 3,315,905</u>	<u>\$ 1,432,235</u>	<u>\$ 4,748,140</u>	224,566,891
Direct benefit to donor costs									<u>270,588</u>
<b>TOTAL EXPENSES</b>									<u>\$ 224,837,479</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, 2009**

	Program Services				Supporting Services				Total 2009 Expenses
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Total Program Services	Fund- Raising	Management and General	Total Supporting Services	
<b>EXPENSES</b>									
Grants and awards	\$ 154,923,532	\$ -	\$ 182,621	\$ -	\$ 155,106,153	\$ -	\$ -	\$ -	\$ 155,106,153
Salaries and related expenses	1,696,508	2,335,650	5,590	13,918	4,051,666	1,038,073	976,350	2,014,423	6,066,089
Professional fees	118,593	494,597	203	3,063	616,456	387,741	46,286	434,027	1,050,483
Printing	25,867	354,312	8	52,057	432,244	501,480	1,791	503,271	935,515
Postage and shipping	109,997	285,063	185	15,859	411,104	515,582	509	516,091	927,195
Occupancy	196,806	283,566	394	1,422	482,188	118,836	89,809	208,645	690,833
IT related costs	194,597	226,901	375	1,754	423,627	109,821	85,554	195,375	619,002
Advertising and promotion	1,664	438,200	3	12	439,879	124,334	759	125,093	564,972
Conferences, meetings and travel	36,885	217,484	6,794	39,301	300,464	78,890	14,635	93,525	393,989
Fairs and exhibits	4,645	317,560	-	2,322	324,527	5,356	323	5,679	330,206
Office supplies and expenses	130,142	82,491	125	1,143	213,901	48,089	28,596	76,685	290,586
Depreciation and amortization	76,313	107,890	153	551	184,907	51,307	34,824	86,131	271,038
Data processing	4,302	85,461	9	31	89,803	139,483	1,963	141,446	231,249
Other outside services	82,651	32,526	545	729	116,451	29,371	466	29,837	146,288
Telephone	18,476	69,075	23	83	87,657	15,473	5,255	20,728	108,385
Dues and subscriptions	18,595	46,409	37	134	65,175	13,814	8,457	22,271	87,446
Mailing list rental	-	17,623	-	-	17,623	24,795	-	24,795	42,418
Loss on disposal of equipment	2,519	2,823	5	18	5,365	1,324	1,150	2,474	7,839
	<u>\$ 157,642,092</u>	<u>\$ 5,397,631</u>	<u>\$ 197,070</u>	<u>\$ 132,397</u>	<u>\$ 163,369,190</u>	<u>\$ 3,203,769</u>	<u>\$ 1,296,727</u>	<u>\$ 4,500,496</u>	
Total functional expenses									167,869,686
Direct benefit to donor costs									<u>279,923</u>
<b>TOTAL EXPENSES</b>									<u>\$ 168,149,609</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, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors	\$ 204,507,349	\$ 166,391,848
Cash received from special events, net	1,136,817	715,211
Cash received mailing list rental	114,163	128,444
Cash paid to patients, suppliers and employees	(216,705,497)	(162,563,069)
Investment income received	430,755	408,376
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(10,516,413)</b>	<b>5,080,810</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturity of investments	22,189,004	14,235,019
Purchase of investments	(15,154,505)	(15,279,503)
Proceeds from sales of equipment	-	1,000
Purchases of property and equipment	(916,078)	(462,474)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>6,118,421</b>	<b>(1,505,958)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,397,992)</b>	<b>3,574,852</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,561,137</b>	<b>1,986,285</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,163,145</b>	<b>\$ 5,561,137</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,114,943)	\$ 8,411,581
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	418,581	271,038
Loss on disposal of equipment	215	7,839
Realized and unrealized gain on investments	(1,700,657)	(2,665,160)
Amortization of free rent	35,280	35,280
Effects of changes in operating assets and liabilities:		
Planned giving receivables	45,294	312,795
Pledges receivable	(5,553,123)	(623,286)
Donated medication inventory	(2,522,539)	(468,365)
Other assets	(499,708)	514,148
Accounts payable and accrued expenses	350,804	(312,358)
Due to broker	(13,096)	(386,635)
Annuities payable	37,479	(16,067)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (10,516,413)</b>	<b>\$ 5,080,810</b>

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, 2010 and 2009**

**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 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 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 FASB ASC 958-205, (formerly 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 are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 2 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation or depreciation in fair value of investments includes AKF's gains and losses on investments bought and sold as well as held during the year. Investment income or loss is included in the change in unrestricted net assets (deficit) unless their use is temporarily or permanently restricted by donor stipulations or by law.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**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.

**Revenue Recognition**

Contributions are reported in accordance with the provisions of FASB ASC 958-605 (formally Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made").

**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.

**Impairment of Long-Lived Assets**

AKF reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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

**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 2010 and 2009, 5% 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 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.

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, online professional educational 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.

*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.

**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**

FASB ASC 820-10 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 FASB ASC 820-10 are described below:

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

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 – INVESTMENTS (CONTINUED)**

Level 2 Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010; however, the December 31, 2009 presentation of the leveling has been changed to illustrate money market accounts as Level 2 given the nature of these investments and valuation methods utilized.

*Certificates of Deposit:* Valued using identical assets or liabilities in less active markets, such as dealer or broker markets, or survey of the dealer community by obtaining broker/dealer quotes on a daily basis.

*Corporate Stocks, Fixed Income Securities and Money Market Accounts:* Valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Corporate stocks are further segmented by security type or security asset class.

*Investment Grade Bonds and Notes:* Valued using quoted market prices for similar assets and liabilities in active markets. Investment grade is defined as a BBB rating or higher.

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**NOTE 2 – INVESTMENTS (CONTINUED)**

The following summarizes AKF's investments using fair value measurements at December 31, 2010:

	<b>Cost</b>	<b>Accumulated Net Unrealized Gains (Losses)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total Fair Value</b>
Unrestricted and temporarily:					
Money market accounts	\$ 1,805,155	\$ -	\$ -	\$ 1,805,155	\$ 1,805,155
Certificates of deposit	28,000	258	28,258	-	28,258
Investment grade bonds and notes	4,956,770	60,192	-	5,016,962	5,016,962
Investment grade convertible bonds and notes	443,109	57,450	-	500,559	500,559
U.S. government securities	773,052	(3,220)	769,832	-	769,832
Corporate stock:					
Large Cap	2,001,114	229,736	2,230,850	-	2,230,850
Small & Mid Cap	984,207	193,064	1,177,271	-	1,177,271
International	1,722,040	310,620	2,032,660	-	2,032,660
Other	1,389,545	57,488	1,447,033	-	1,447,033
	<u>14,102,992</u>	<u>905,588</u>	<u>7,685,904</u>	<u>7,322,676</u>	<u>15,008,580</u>
Total unrestricted and temporarily restricted					
Permanently restricted:					
U. S. government securities	158,711	16,306	175,017	-	175,017
	<u>158,711</u>	<u>16,306</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total permanently restricted					
<b>Total investments</b>	<u>\$ 14,261,703</u>	<u>\$ 921,894</u>	<u>\$ 7,860,921</u>	<u>\$ 7,322,676</u>	<u>\$ 15,183,597</u>

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**NOTE 2 – INVESTMENTS (CONTINUED)**

The following summarizes AKF's investments using fair value measurements at December 31, 2009:

	<b>Cost</b>	<b>Accumulated Net Unrealized Gains (Losses)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total Fair Value</b>
Unrestricted and temporarily:					
Money market accounts	\$ 664,232	\$ -	\$ -	\$ 664,232	\$ 664,232
Certificates of deposit	620,000	(93)	619,907	-	619,907
Investment grade bonds and notes	6,425,596	14,573	-	6,440,169	6,440,169
Investment grade convertible bonds and notes	433,809	3,474	-	437,283	437,283
U.S. government securities	2,325,099	9,758	2,334,857	-	2,334,857
Corporate stock:					
Large Cap	4,254,518	590,656	4,845,174	-	4,845,174
Small & Mid Cap	2,227,523	(150,507)	2,077,016	-	2,077,016
International	2,876,680	(123,316)	2,753,364	-	2,753,364
Other	256,179	(85,759)	170,420	-	170,420
Total unrestricted and temporarily restricted	<u>20,083,636</u>	<u>258,786</u>	<u>12,800,738</u>	<u>7,541,684</u>	<u>20,342,422</u>
Permanently restricted:					
U. S. government securities	<u>166,120</u>	<u>8,897</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total permanently restricted	<u>166,120</u>	<u>8,897</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
<b>Total investments</b>	<u>\$ 20,249,756</u>	<u>\$ 267,683</u>	<u>\$ 12,975,755</u>	<u>\$ 7,541,684</u>	<u>\$ 20,517,439</u>

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

	<b>2010</b>	<b>2009</b>
Dividends and interest	\$ 560,811	\$ 517,197
Realized and unrealized depreciation	1,700,657	2,665,160
Investment advisory fees	<u>(144,951)</u>	<u>(117,222)</u>
<b>Total</b>	<u>\$ 2,116,517</u>	<u>\$ 3,065,135</u>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
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**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. AKF maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. At December 31, 2010 and 2009, total cash deposits held at financial institutions were \$7,084,923 and \$9,437,269, respectively.

**NOTE 4 – PLANNED GIVING RECEIVABLES**

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

	<u>2010</u>	<u>2009</u>
Planned giving receivables	\$ 19,589	\$ 64,883
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
<b>Net planned giving receivables</b>	<u>\$ 19,589</u>	<u>\$ 64,883</u>
Amounts due in:		
Less than one year	\$ 14,589	\$ 59,883
One to five years	-	-
More than five years	<u>5,000</u>	<u>5,000</u>
<b>Total</b>	<u>\$ 19,589</u>	<u>\$ 64,883</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2010</u>	<u>2009</u>
Software and office equipment	\$2,578,341	\$1,334,070
Systems in-progress	-	504,356
Furniture and fixtures	173,059	173,068
Leasehold improvements	<u>459,665</u>	<u>434,540</u>
Total	3,211,065	2,446,034
Less: accumulated depreciation	<u>(1,381,137)</u>	<u>(1,113,388)</u>
<b>Total</b>	<u>\$1,829,928</u>	<u>\$1,332,646</u>

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

At December 31, 2009, the Board of Trustees designated \$2,271,813 in unrestricted funds for patient grants, which were expended in 2010 for patient grants. There were no such funds designated as of December 31, 2010.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Research	\$ 529,088	\$ 623,458
Patient aid	3,207,427	2,333,697
Office build out and in-kind donated rent	152,880	188,160
Public and professional education	829,764	1,508,500
<b>Total</b>	<u>\$4,719,159</u>	<u>\$4,653,815</u>

**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>2010</u>	<u>2009</u>
Patient aid	\$ 169,026	\$ 169,026
Research	5,991	5,991
<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, New York and Chicago, Illinois. The New York lease expires on October 31, 2012 and the Illinois lease expires December 31, 2013.

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**NOTE 9 – COMMITMENTS (CONTINUED)**

Occupancy expense for office space was \$745,776 and \$690,833 in 2010 and 2009, respectively. Approximate future minimum obligations under non-cancellable office leases and other operating leases/contracts are as follows at December 31:

	<b>Contracts/</b>		<b>Total</b>
	<b>Office Leases</b>	<b>Other Leases</b>	
2011	\$ 815,763	\$ 613,506	\$1,429,269
2012	383,257	495,343	878,600
2013	<u>25,058</u>	<u>-</u>	<u>25,058</u>
<b>Total</b>	<u>\$1,224,078</u>	<u>\$1,108,849</u>	<u>\$2,332,927</u>

**NOTE 10 – PUBLIC SUPPORT**

During 2010, AKF continued its tradition of broad-based public support with over 83,000 active contributors and 115,600 gifts. AKF received public support from two corporations in the amount of \$174,357,194 and \$139,130,912 for 2010 and 2009, respectively. These contributions represented 78% and 79% of the total support and revenue for 2010 and 2009, respectively. These two corporations are part of approximately 145 and 143 corporations which supported AKF patient grant programs during 2010 and 2009, respectively.

**NOTE 11 – JOINT COSTS**

For the years ended December 31, 2010 and 2009, AKF incurred joint costs of \$1,869,685 and \$1,820,372, respectively for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2010 and 2009 were allocated as follows:

	<u>2010</u>	<u>2009</u>
Fundraising	\$ 1,002,236	\$ 1,115,180
Public education	<u>867,449</u>	<u>705,192</u>
<b>Total</b>	<u>\$ 1,869,685</u>	<u>\$ 1,820,372</u>

**NOTE 12 – IN-KIND CONTRIBUTIONS**

For the years ended December 31, 2010 and 2009, AKF received donated medical products and other in-kind contributions supporting patient aid programs. In-kind contributions for the years ended December 31 consisted of the following:

	<u>2010</u>	<u>2009</u>
Medical product	\$ 9,532,430	\$ 5,256,042
Advertising, exhibit fee, donated items for special events	<u>535,362</u>	<u>412,573</u>
<b>Total in-kind contributions</b>	<u>\$10,067,792</u>	<u>\$ 5,668,615</u>

**AMERICAN KIDNEY FUND, INC. AND AFFILIATE**  
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**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% of participants' eligible compensation, plus matches the lesser of 100% of amounts deferred under the Section 403(b) Plan, or 5% of compensation. AKF's contributions were \$279,849 and \$250,100 for 2010 and 2009, 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.

**NOTE 14 – ENDOWMENTS**

AKF was provided permanently restricted contributions in the early 1980s. The purpose of these restrictions was to support patient related grants with a balance of \$169,026, and a smaller balance of \$5,991 to support research, as of December 31, 2010 and 2009. These amounts are kept in a separate investment account and conservatively invested in fixed income securities. The interest earned on this account supports their respective purpose.

**Interpretation of Relevant Law**

The Board of AKF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, AKF classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment.
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AKF's Board. In accordance with SPMIFA, AKF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1. The duration and preservation of the fund.
2. The purpose of AKF and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of AKF.
7. The investment policies of AKF.

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**NOTE 14 – ENDOWMENTS (CONTINUED)**

Endowment net asset composition by type of fund as of December 31, 2010 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 31,541	\$ 175,017	\$ 206,558

Changes in endowment net assets for the year ended December 31, 2010 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 30,004	\$ 175,017	\$ 205,021
Investment return:			
Investment income	<u>5,380</u>	<u>-</u>	<u>5,380</u>
Total	<u>35,384</u>	<u>175,017</u>	<u>210,401</u>
Appropriation of endowment assets for expenditure	<u>(3,843)</u>	<u>-</u>	<u>(3,843)</u>
<b>Net assets, end of year</b>	<u>\$ 31,541</u>	<u>\$ 175,017</u>	<u>\$ 206,558</u>

Endowment net asset composition by type of fund as of December 31, 2009 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 30,004	\$ 175,017	\$ 205,021

Changes in endowment net assets for the year ended December 31, 2009 were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 28,059	\$ 175,017	\$ 203,076
Investment return:			
Investment income	<u>6,808</u>	<u>-</u>	<u>6,808</u>
Total	<u>34,867</u>	<u>175,017</u>	<u>209,884</u>
Appropriation of endowment assets for expenditure	<u>(4,863)</u>	<u>-</u>	<u>(4,863)</u>
<b>Net assets, end of year</b>	<u>\$ 30,004</u>	<u>\$ 175,017</u>	<u>\$ 205,021</u>

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**NOTE 15 – INCOME TAXES**

AKF adopted the provisions of FASB ASC 740-10, previously known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2009. Management has determined that AKF has no material uncertain tax positions that would require recognition under FASB ASC 740-10.

**NOTE 16 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through March 21, 2011, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to March 21, 2011, that provided additional evidence about conditions that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2010.