

AMERICAN KIDNEY FUND, INC.
Rockville, Maryland

FINANCIAL STATEMENTS
December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of American Kidney Fund, Inc. (AKF), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Kidney Fund, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Calverton, Maryland

March 23, 2015

FINANCIAL STATEMENTS

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,347,053	\$ 11,117,482
Pledges receivable	140,500	94,307
Donated medication inventory	1,342,485	1,035,210
Other assets	119,106	110,933
Total current assets	13,949,144	12,357,932
LONG-TERM ASSETS		
Investments at fair value	12,384,821	12,033,699
Pledges receivable	-	11,760
Other assets	575,264	510,081
Property and equipment, net	1,473,559	1,854,672
Total long-term assets	14,433,644	14,410,212
TOTAL ASSETS	\$ 28,382,788	\$ 26,768,144
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 835,274	\$ 676,723
Refundable advance	-	100,000
Annuities payable	9,080	10,607
Total current liabilities	844,354	787,330
LONG-TERM LIABILITIES		
Deferred rent	465,966	447,624
Other liabilities	507,776	440,593
Annuities payable	291,583	314,470
Total long-term liabilities	1,265,325	1,202,687
TOTAL LIABILITIES	2,109,679	1,990,017
NET ASSETS		
Unrestricted	23,994,461	22,808,259
Temporarily restricted	2,103,631	1,794,851
Permanently restricted	175,017	175,017
TOTAL NET ASSETS	26,273,109	24,778,127
TOTAL LIABILITIES AND NET ASSETS	\$ 28,382,788	\$ 26,768,144

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	12/31/2014			12/31/2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 226,330,028	\$ 911,823	\$ 227,241,851	\$ 210,260,666	\$ 659,570	\$ 210,920,236
Planned giving	1,256,157	-	1,256,157	783,945	-	783,945
In-kind contributions	481,937	7,908,118	8,390,055	487,086	5,870,418	6,357,504
Special events, net of direct benefit donor costs of \$236,813 and \$282,947, respectively	641,874	-	641,874	626,390	-	626,390
Specialty programs	99,213	460,640	559,853	106,767	484,797	591,564
Total public support	228,809,209	9,280,581	238,089,790	212,264,854	7,014,785	219,279,639
Revenue:						
Investment income	321,531	3,434	324,965	1,052,052	2,960	1,055,012
Mailing list rental	52,121	-	52,121	50,637	-	50,637
Total revenue	373,652	3,434	377,086	1,102,689	2,960	1,105,649
Total support and revenue before net assets released from restrictions	229,182,861	9,284,015	238,466,876	213,367,543	7,017,745	220,385,288
Net assets released from restrictions	8,975,235	(8,975,235)	-	8,344,907	(8,344,907)	-
Total support and revenue	238,158,096	308,780	238,466,876	221,712,450	(1,327,162)	220,385,288
EXPENSES						
Program services:						
Direct patient aid	224,773,172	-	224,773,172	206,143,973	-	206,143,973
Public and professional education	6,343,915	-	6,343,915	6,343,308	-	6,343,308
Research	193,609	-	193,609	221,162	-	221,162
Community services	70,905	-	70,905	80,023	-	80,023
Total program services	231,381,601	-	231,381,601	212,788,466	-	212,788,466
Supporting services:						
Fundraising	3,806,623	-	3,806,623	3,645,161	-	3,645,161
Management and general	1,783,670	-	1,783,670	1,472,684	-	1,472,684
Total supporting services	5,590,293	-	5,590,293	5,117,845	-	5,117,845
Total expenses	236,971,894	-	236,971,894	217,906,311	-	217,906,311
CHANGE IN NET ASSETS	\$ 1,186,202	\$ 308,780	\$ 1,494,982	\$ 3,806,139	\$ (1,327,162)	\$ 2,478,977

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2014 and 2013

	Unrestricted				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
BEGINNING BALANCES, January 1, 2013	\$ 19,002,120	\$ -	\$ 3,122,013	\$ 175,017	\$ 22,299,150
Change in net assets	3,806,139	-	(1,327,162)	-	2,478,977
ENDING BALANCES, December 31, 2013	22,808,259	-	1,794,851	175,017	24,778,127
Change in net assets	1,186,202	-	308,780	-	1,494,982
ENDING BALANCES, December 31, 2014	\$ 23,994,461	\$ -	\$ 2,103,631	\$ 175,017	\$ 26,273,109

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

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services				Supporting Services				Total 2014 Expenses
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Total Program Services	Fund- Raising	Management and General	Total Supporting Services	
EXPENSES									
Grants and awards	\$ 221,243,454	\$ -	\$ 146,350	\$ -	\$ 221,389,804	\$ -	\$ -	\$ -	\$ 221,389,804
Salaries and related benefits	1,992,681	2,690,544	27,836	29,403	4,740,464	1,250,243	1,264,116	2,514,359	7,254,823
Professional fees	78,251	515,391	796	849	595,287	633,431	39,425	672,856	1,268,143
IT related costs	461,393	382,536	3,272	3,490	850,691	244,798	161,992	406,790	1,257,481
Printing	29,037	504,700	232	14,302	548,271	537,453	772	538,225	1,086,496
Occupancy	261,065	328,341	2,657	2,834	594,897	161,862	131,532	293,394	888,291
Postage and shipping	136,580	250,853	268	4,524	392,225	461,473	133	461,606	853,831
Depreciation and amortization	246,981	269,876	2,514	2,681	522,052	141,326	124,437	265,763	787,815
Advertising and promotion	1,276	562,304	13	14	563,607	6,055	643	6,698	570,305
Conferences, meetings, and travel	28,238	222,290	8,674	3,049	262,251	74,312	14,209	88,521	350,772
Fairs and exhibits	-	311,624	48	7,341	319,013	5,942	-	5,942	324,955
Data processing	4,623	93,920	47	50	98,640	153,541	2,328	155,869	254,509
Office expenses	113,608	68,169	568	647	182,992	35,329	28,108	63,437	246,429
Other outside services	126,465	33,635	17	135	160,252	23,854	308	24,162	184,414
Dues and subscriptions	20,288	49,088	205	218	69,799	23,107	10,132	33,239	103,038
Telephone	29,232	33,276	112	119	62,739	14,529	5,535	20,064	82,803
Mailing list rental	-	21,760	-	1,249	23,009	36,565	-	36,565	59,574
Loss on disposal of equipment	-	5,608	-	-	5,608	2,803	-	2,803	8,411
Total functional expenses	<u>\$ 224,773,172</u>	<u>\$ 6,343,915</u>	<u>\$ 193,609</u>	<u>\$ 70,905</u>	<u>\$ 231,381,601</u>	<u>\$ 3,806,623</u>	<u>\$ 1,783,670</u>	<u>\$ 5,590,293</u>	<u>236,971,894</u>
Direct benefit to donor costs									<u>236,813</u>
TOTAL EXPENSES									<u>\$ 237,208,707</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services				Supporting Services			Total 2013 Expenses	
	Direct Patient Aid	Public and Professional Education	Research	Community Services	Total Program Services	Fund- Raising	Management and General		Total Supporting Services
EXPENSES									
Grants and awards	\$ 202,912,752	\$ -	\$ 179,546	\$ -	\$ 203,092,298	\$ -	\$ -	\$ -	\$ 203,092,298
Salaries and related expenses	1,818,188	2,812,423	25,803	25,852	4,682,266	1,289,115	1,093,225	2,382,340	7,064,606
Printing	22,850	497,546	17	11,895	532,308	632,481	683	633,164	1,165,472
IT related costs	424,943	345,939	2,662	2,661	776,205	209,344	108,625	317,969	1,094,174
Postage and shipping	128,070	253,565	62	12,907	394,604	497,578	1,751	499,329	893,933
Occupancy	251,926	373,204	2,581	2,579	630,290	151,223	105,305	256,528	886,818
Professional fees	45,036	425,845	461	1,144	472,486	341,319	18,826	360,145	832,631
Depreciation and amortization	227,925	285,260	2,335	2,334	517,854	129,560	95,271	224,831	742,685
Advertising and promotion	872	566,356	9	9	567,246	10,952	364	11,316	578,562
Conferences, meetings and travel	27,519	195,729	6,689	8,223	238,160	85,359	11,487	96,846	335,006
Fairs and exhibits	-	274,460	38	9,016	283,514	-	-	-	283,514
Data processing	3,470	90,646	36	36	94,188	170,215	1,450	171,665	265,853
Office supplies and expenses	107,896	71,140	522	521	180,079	32,324	21,289	53,613	233,692
Other outside services	133,567	40,773	58	1,254	175,652	27,983	427	28,410	204,062
Dues and subscriptions	18,960	50,031	193	192	69,376	22,218	7,859	30,077	99,453
Telephone	19,970	41,213	150	150	61,483	18,322	6,109	24,431	85,914
Mailing list rental	-	15,508	-	1,250	16,758	27,153	-	27,153	43,911
Loss on disposal of equipment	29	3,670	-	-	3,699	15	13	28	3,727
Total functional expenses	<u>\$ 206,143,973</u>	<u>\$ 6,343,308</u>	<u>\$ 221,162</u>	<u>\$ 80,023</u>	<u>\$ 212,788,466</u>	<u>\$ 3,645,161</u>	<u>\$ 1,472,684</u>	<u>\$ 5,117,845</u>	217,906,311
Direct benefit to donor costs									<u>282,947</u>
TOTAL EXPENSES									<u>\$ 218,189,258</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 228,958,142	\$ 212,278,165
Cash received from special events, net	524,925	633,890
Cash received mailing list rental	52,121	50,637
Cash paid to patients, suppliers, and employees	(227,882,592)	(210,064,343)
Investment income received	233,997	274,563
	<u>1,886,593</u>	<u>3,172,912</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	14,839,300	13,724,631
Purchase of investments	(15,081,209)	(10,018,899)
Purchases of property and equipment	(415,113)	(365,280)
	<u>(657,022)</u>	<u>3,340,452</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
 NET INCREASE IN CASH AND CASH EQUIVALENTS	1,229,571	6,513,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,117,482</u>	<u>4,604,118</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,347,053</u>	<u>\$ 11,117,482</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,494,982	\$ 2,478,977
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	787,815	742,685
Donated stock	(18,246)	(9,823)
Loss on disposal of equipment	8,411	3,727
Net realized and unrealized gain on investments	(90,967)	(780,449)
Amortization of free rent	47,040	35,280
Effects of changes in operating assets and liabilities:		
Pledges receivable	(81,473)	(7,757)
Donated medication inventory	(307,275)	882,189
Other assets	(73,356)	(25,182)
Accounts payable and accrued expenses	158,551	(309,481)
Refundable advance	(100,000)	-
Deferred rent	18,342	48,100
Other liabilities	67,183	139,353
Annuities payable	(24,414)	(24,707)
	<u>\$ 1,886,593</u>	<u>\$ 3,172,912</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		

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

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Kidney Fund, Inc. (AKF) is a nonprofit voluntary health organization that helps people fight kidney disease and live healthier lives. AKF achieves its mission by providing financial support to patients in need, and by delivering programs that educate, build awareness, and drive advocacy, resulting in greater public understanding and ultimately the prevention of kidney disease. AKF's major sources of revenue are from contributions from the general public. The fiscal year end is December 31. Significant accounting policies followed by AKF are presented below.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, AKF is required 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.

The accompanying financial statements do not include the accounts of its affiliate, the American Kidney Fund Service Organization (AKFSO). The Board approved that AKFSO would become dormant effective December 31, 2010 and there was no activity for the years ended December 31, 2014 and December 31, 2013.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with an original 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.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unless their use is temporarily or permanently restricted by donor stipulations or by law.

Donated 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 recognized as revenue when received or pledged, whichever is earlier.

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.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over an estimated useful life 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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuities Payable

AKF has received charitable gift annuities as contributions 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.

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 2014 and 2013, 5% was used as the discount rate.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Direct Patient Aid –AKF is the leading provider of charitable, treatment-related financial assistance to people in the United States who are living with kidney failure. In 2014, AKF helped more than 84,000 dialysis patients—one out of every five dialysis patients in the United States. Our Health Insurance Premium Program helps patients maintain insurance coverage. Our other programs assist with treatment-related expenses including the cost of transportation to dialysis, vital nutritional supplements, medications, and other expenses not covered by insurance. We also provide patients with in-kind donated medications; disaster relief grants when disaster strikes a local community; grants to pediatric patients who wish to attend summer camp; and grants to living kidney donors who need help with the cost of expenses.

Public and Professional Education – AKF educates the American public about the symptoms, causes, treatment and prevention of kidney disease. The education pages of our website receive 2.8 million page views annually. Our media campaigns to raise awareness about kidney disease generated nearly 409 million impressions in 2014. Our toll-free HelpLine provides callers with information about kidney disease. There are more than 20 titles in our health education fact sheet and brochure series; materials are available in both English and Spanish and cover topics including kidney disease testing, treatment options for kidney failure, and information about organ donation. Our online professional education program provides continuing education opportunities for professionals who treat kidney patients, with nine courses offered in 2014 and more than 6,700 professionals educated. We provide free kidney disease screenings to people who are at risk for kidney disease. Over the past 10 years, we have provided free kidney disease screenings to more than 100,000 people. In 2014, we provided screenings in 22 cities across the United States.

Research – The Clinical Scientist in Nephrology Program strives to improve the quality of care provided to kidney patients and promotes clinical research in nephrology. The program provides fellowships to enhance the training of nephrologists who want to pursue an academic career and whose primary professional commitment is to scholarship in the provision of patient care. A nationally recognized panel of experts in the field selects award recipients.

Community Services – AKF's nationwide art contest for pediatric kidney patients offers children living with kidney disease the opportunity to express themselves artistically. Thirteen winning pieces of artwork are published in AKF's wall calendar, distributed nationally. The cover artist is honored at AKF's annual gala, The Hope Affair, held in Washington, D.C. in the fall. The other 12 winning artists receive prizes.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 – INVESTMENTS

A fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value is established by generally accepted accounting principles. 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 generally accepted accounting principles are described below:

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

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2014 and 2013.

Corporate Stocks, Fixed Income Securities included within a Mutual Fund 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.

Corporate and Asset Backed Bonds and Notes, Certificates of Deposit, and Government Securities: Valued using quoted market prices for similar assets and liabilities in active markets.

The following summarizes AKF's investments using fair value measurements at December 31, 2014:

	Cost	Accumulated Net Unrealized Gains (Losses)	Level 1	Level 2	Total Fair Value
Unrestricted and temporarily:					
Money market accounts	\$ 462,826	\$ -	\$ 462,826	\$ -	\$ 462,826
Certificates of deposit	17,887	199	-	18,086	18,086
Mutual Funds - fixed income	1,692,178	(50,872)	1,641,306	-	1,641,306
Corporate and asset backed bonds	1,591,820	6,859	-	1,598,679	1,598,679
U.S. government securities	1,063,667	3,650	187,141	880,176	1,067,317
Corporate stock:					
Large cap	2,995,688	198,198	3,193,886	-	3,193,886
Small and mid cap	999,277	103,408	1,102,685	-	1,102,685
International	2,086,387	(50,735)	2,035,652	-	2,035,652
Other	1,117,933	(28,566)	1,089,367	-	1,089,367
Total unrestricted and temporarily restricted	12,027,663	182,141	9,712,863	2,496,941	12,209,804
Permanently restricted:					
U. S. government securities	153,532	21,485	175,017	-	175,017
Total permanently restricted	153,532	21,485	175,017	-	175,017
Total investments	\$ 12,181,195	\$ 203,626	\$ 9,887,880	\$ 2,496,941	\$ 12,384,821

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – INVESTMENTS (CONTINUED)

The following summarizes AKF's investments using fair value measurements at December 31, 2013:

	Cost	Accumulated Net Unrealized Gains (Losses)	Level 1	Level 2	Total Fair Value
Unrestricted and temporarily:					
Money market accounts	\$ 222,931	\$ -	\$ 222,931	\$ -	\$ 222,931
Mutual Funds - fixed income	4,972,394	(52,093)	4,920,301		4,920,301
Corporate and asset backed bonds	497,593	95,068	-	592,661	592,661
U.S. government securities	801,971	(63,776)	267,612	470,583	738,195
Corporate stock:					
Large cap	1,363,184	448,148	1,811,332	-	1,811,332
Small and mid cap	622,719	473,596	1,096,315	-	1,096,315
International	1,655,199	266,143	1,921,342	-	1,921,342
Other	634,316	(78,711)	555,605	-	555,605
Total unrestricted and temporarily restricted	<u>10,770,307</u>	<u>1,088,375</u>	<u>10,795,438</u>	<u>1,063,244</u>	<u>11,858,682</u>
Permanently restricted:					
Money market accounts	495	-	495		495
U. S. government securities	157,190	17,332	174,522	-	174,522
Total permanently restricted	<u>157,685</u>	<u>17,332</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total investments	<u>\$ 10,927,992</u>	<u>\$ 1,105,707</u>	<u>\$ 10,970,455</u>	<u>\$ 1,063,244</u>	<u>\$ 12,033,699</u>

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

	2014	2013
Dividends and interest	\$ 315,470	\$ 362,865
Realized and unrealized appreciation	90,967	780,449
Investment advisory fees	(81,472)	(88,302)
Total	<u>\$ 324,965</u>	<u>\$ 1,055,012</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. AKF maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. At December 31, 2014 and 2013, total cash deposits held at financial institutions were \$18,237,581 and \$16,313,931, respectively.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2014	2013
Software and office equipment	\$ 4,295,071	\$ 4,020,039
Furniture and fixtures	168,879	188,236
Leasehold improvements	<u>106,180</u>	<u>356,721</u>
Total	4,570,130	4,564,996
Less: accumulated depreciation	<u>(3,096,571)</u>	<u>(2,710,324)</u>
Total	<u>\$ 1,473,559</u>	<u>\$ 1,854,672</u>

NOTE 5 – UNRESTRICTED NET ASSETS - BOARD DESIGNATED

At times the American Kidney Fund may have surplus contributions that the Board designates for patient assistance programs. At December 31, 2014 and 2013, there were no surplus funds designated by the Board of Trustees for patient assistance grants.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	2014	2013
Research	\$ 673,784	\$ 613,860
Patient aid	1,392,347	1,083,951
Office build out and in-kind donated rent	-	47,040
Public and professional education	<u>37,500</u>	<u>50,000</u>
Total	<u>\$ 2,103,631</u>	<u>\$ 1,794,851</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:

	2014	2013
Patient aid	\$ 169,026	\$ 169,026
Research	<u>5,991</u>	<u>5,991</u>
Total	<u>\$ 175,017</u>	<u>\$ 175,017</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 – COMMITMENTS

In December 2011, AKF entered into a 10 year lease for its new headquarters located in Rockville, Maryland. The lease commenced May 2012 and AKF received six months of free rent and 24 months of free parking. Additionally, the lease, among other items, requires rent increases based on the consumer price index, real estate taxes, and operating costs. The deferred rent and rent increases are being recognized on a straight line basis over the life of the 10 year lease. Total deferred rent was \$465,966 and \$447,624 at December 31, 2014 and 2013, respectively. In addition, AKF is obligated under leases for office space in Long Island, New York. The New York lease expires on March 31, 2018.

Occupancy expense for office space was \$888,290 and \$886,818 in 2014 and 2013, respectively. Future minimum obligations under non-cancellable office leases and other operating leases/contracts are as follows at December 31:

	Office Leases	Contracts/ Other Leases	Total
2015	\$ 884,541	\$ 1,147,031	\$ 2,031,572
2016	907,271	366,411	1,273,682
2017	930,628	306,903	1,237,531
2018	925,726	75,452	1,001,178
2019	939,633	-	939,633
Thereafter	<u>2,284,721</u>	<u>-</u>	<u>2,284,721</u>
Total	<u>\$ 6,872,520</u>	<u>\$ 1,895,797</u>	<u>\$ 8,768,317</u>

NOTE 9– PUBLIC SUPPORT

During 2014, AKF continued its tradition of broad-based public support with over 65,000 active contributors and 97,000 gifts. AKF received public support from two corporations in the amount of \$189,415,000 and \$176,066,634 for 2014 and 2013, respectively. These contributions represented 79% and 80% of the total support and revenue for 2014 and 2013, respectively. These two corporations are part of approximately 180 and 240 corporations which supported AKF patient grant programs during 2014 and 2013, respectively.

NOTE 10 – JOINT COSTS

For the years ended December 31, 2014 and 2013, AKF incurred joint costs of \$1,964,514 and \$2,024,228, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2014 and 2013, were allocated as follows:

	2014	2013
Fundraising	\$ 1,231,595	\$ 1,288,411
Public education	<u>732,919</u>	<u>735,817</u>
Total	<u>\$ 1,964,514</u>	<u>\$ 2,024,228</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 11 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2014 and 2013, AKF received donated medical products supporting patient aid programs. In-kind contributions for the years ended December 31 consisted of the following:

	2014	2013
Medical products	\$ 7,908,118	\$ 5,870,418
Advertising, exhibit fees, and donated items for special events	481,937	487,086
Total in-kind contributions	\$ 8,390,055	\$ 6,357,504

NOTE 12 – RETIREMENT PLANS

AKF maintains a Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. AKF contributes 2% 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 \$298,099 and \$302,638 for 2014 and 2013, 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. However, the participant contributions are included in other assets and plan obligations are included within other liabilities on the Statement of Financial Position. Total amounts recorded by AKF were \$507,776 and \$440,593 at December 31, 2014 and 2013, respectively.

NOTE 13 – ENDOWMENTS

AKF was provided permanently restricted contributions in the early 1980s. The purpose of these contributions 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, 2014 and 2013, respectively. 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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 13 – ENDOWMENTS (CONTINUED)

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.

Endowment net asset composition by type of fund as of December 31, 2014, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 7,392	\$ 175,017	\$ 182,409

Changes in endowment net assets for the year ended December 31, 2014, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 6,412	\$ 175,017	\$ 181,429
Investment return:			
Investment income	3,434	-	3,434
Total	9,846	175,017	184,863
Appropriation of endowment assets for expenditure	(2,454)	-	(2,454)
Net assets, end of year	\$ 7,392	\$ 175,017	\$ 182,409

Endowment net asset composition by type of fund as of December 31, 2013, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 6,412	\$ 175,017	\$ 181,429

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 13 – ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2013, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 8,065	\$ 175,017	\$ 183,082
Investment return:			
Investment income	<u>2,960</u>	<u>-</u>	<u>2,960</u>
Total	<u>11,025</u>	<u>175,017</u>	<u>186,042</u>
Appropriation of endowment assets for expenditure	<u>(4,613)</u>	<u>-</u>	<u>(4,613)</u>
Net assets, end of year	<u><u>\$ 6,412</u></u>	<u><u>\$ 175,017</u></u>	<u><u>\$ 181,429</u></u>

NOTE 14 – INCOME TAXES

AKF follows the income tax standard for uncertain tax positions. AKF evaluated its tax positions and determined that they are more-likely-than-not to be sustained on examination. AKF's tax returns are subject to review and examination by federal, state, and local authorities. The tax returns for the years ended December 31, 2011, through December 31, 2013, are open to examination by federal, state, and local authorities.

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated subsequent events through March 23, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to March 23, 2015, that provided additional evidence about conditions that existed at December 31, 2014, have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, 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, 2014.

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