

AMERICAN KIDNEY FUND, INC.
Rockville, Maryland

FINANCIAL STATEMENTS
December 31, 2017 and 2016

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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, 2017 and 2016, 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.

Board of Directors
American Kidney Fund, Inc.

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, 2017 and 2016, 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

CliftonLarsonAllen LLP

Greenbelt, Maryland
March 26, 2018

FINANCIAL STATEMENTS

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 22,572,950	\$ 17,011,811
Contributions receivable	1,159,169	416,464
Donated medication inventory	-	1,757,797
Other assets	117,622	196,248
Total current assets	23,849,741	19,382,320
LONG-TERM ASSETS		
Investments at fair value	14,369,035	12,674,893
Other assets	806,809	666,852
Property and equipment, net	902,343	1,420,589
Total long-term assets	16,078,187	14,762,334
TOTAL ASSETS	\$ 39,927,928	\$ 34,144,654
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,505,215	\$ 1,391,196
Refundable advances	20,000	30,000
Annuities payable	11,648	10,465
Total current liabilities	1,536,863	1,431,661
LONG-TERM LIABILITIES		
Deferred rent	481,852	531,656
Other liabilities	739,321	599,364
Annuities payable	280,035	335,406
Total long-term liabilities	1,501,208	1,466,426
TOTAL LIABILITIES	3,038,071	2,898,087
NET ASSETS		
Unrestricted		
Undesignated	32,951,415	27,096,115
Board designated	2,844,500	1,100,726
Total unrestricted	35,795,915	28,196,841
Temporarily restricted	918,925	2,874,709
Permanently restricted	175,017	175,017
TOTAL NET ASSETS	36,889,857	31,246,567
TOTAL LIABILITIES AND NET ASSETS	\$ 39,927,928	\$ 34,144,654

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	12/31/2017			12/31/2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 285,695,906	\$ 1,789,429	\$ 287,485,335	\$ 295,324,994	\$ 1,426,309	\$ 296,751,303
Planned giving	1,914,158	-	1,914,158	1,215,171	-	1,215,171
In-kind contributions	459,048	7,754,611	8,213,659	464,454	10,401,591	10,866,045
Special events, net of direct benefit donor costs of \$285,458 and \$245,879, respectively	612,771	-	612,771	741,881	-	741,881
Specialty programs	103,590	405,447	509,037	54,800	508,050	562,850
Total public support	288,785,473	9,949,487	298,734,960	297,801,300	12,335,950	310,137,250
Revenue:						
Investment income	1,681,305	3,241	1,684,546	637,173	3,020	640,193
Mailing list rental	46,318	-	46,318	48,853	-	48,853
Gain on disposal of assets	41,951	-	41,951	-	-	-
Total revenue	1,769,574	3,241	1,772,815	686,026	3,020	689,046
Total support and revenue before net assets released from restrictions	290,555,047	9,952,728	300,507,775	298,487,326	12,338,970	310,826,296
Net assets released from restrictions	11,908,512	(11,908,512)	-	12,635,833	(12,635,833)	-
Total support and revenue	302,463,559	(1,955,784)	300,507,775	311,123,159	(296,863)	310,826,296
EXPENSES						
Program services:						
Direct patient aid	278,036,080	-	278,036,080	289,639,304	-	289,639,304
Public and professional education	9,770,074	-	9,770,074	8,631,030	-	8,631,030
Research	158,240	-	158,240	281,743	-	281,743
Community services	74,032	-	74,032	67,554	-	67,554
Total program services	288,038,426	-	288,038,426	298,619,631	-	298,619,631
Supporting services:						
Fundraising	4,782,807	-	4,782,807	4,159,048	-	4,159,048
Management and general	2,043,252	-	2,043,252	1,875,282	-	1,875,282
Total supporting services	6,826,059	-	6,826,059	6,034,330	-	6,034,330
Total expenses	294,864,485	-	294,864,485	304,653,961	-	304,653,961
CHANGE IN NET ASSETS	\$ 7,599,074	\$ (1,955,784)	\$ 5,643,290	\$ 6,469,198	\$ (296,863)	\$ 6,172,335

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, 2017 and 2016

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
BEGINNING BALANCES, January 1, 2016	\$ 21,727,643	\$ -	\$ 3,171,572	\$ 175,017	\$ 25,074,232
Change in net assets	6,469,198	-	(296,863)	-	6,172,335
Board designation transfer	<u>(1,100,726)</u>	<u>1,100,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING BALANCES, December 31, 2016	27,096,115	1,100,726	2,874,709	175,017	31,246,567
Change in net assets	7,599,074	-	(1,955,784)	-	5,643,290
Board designation transfer	<u>(1,743,774)</u>	<u>1,743,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING BALANCES, December 31, 2017	<u>\$ 32,951,415</u>	<u>\$ 2,844,500</u>	<u>\$ 918,925</u>	<u>\$ 175,017</u>	<u>\$ 36,889,857</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services				Supporting Services			Total 2017 Expenses	
	Direct Patient Aid	Public and Professional Education	Community Research Services	Total Program Services	Fund- Raising	Management and General	Total Supporting Services		
	EXPENSES								
Grants and awards	\$ 273,207,590	\$ -	\$ 65,769	\$ -	\$ 273,273,359	\$ -	\$ -	\$ -	\$ 273,273,359
Salaries and related benefits	2,299,890	3,737,812	34,166	26,074	6,097,942	1,850,466	1,217,376	3,067,842	9,165,784
Professional fees	1,172,910	2,695,278	30,207	22,162	3,920,557	1,144,986	483,221	1,628,207	5,548,764
IT related costs	473,784	463,264	7,423	5,446	949,917	241,818	118,750	360,568	1,310,485
Printing	29,506	529,644	27	4,699	563,876	389,323	437	389,760	953,636
Postage and shipping	146,774	296,352	458	460	444,044	482,624	3,035	485,659	929,703
Occupancy	259,604	362,996	6,687	4,906	634,193	162,759	106,964	269,723	903,916
Advertising and promotion	54	550,416	1	1	550,472	34,707	22	34,729	585,201
Depreciation and amortization	134,307	175,769	3,459	2,538	316,073	78,191	55,338	133,529	449,602
Conferences, meetings and travel	40,858	286,692	7,289	2,697	337,536	87,044	15,206	102,250	439,786
Fairs and exhibits	-	330,376	42	3,082	333,500	250	-	250	333,750
Office Supplies and Expenses	118,890	108,216	1,869	1,350	230,325	48,083	29,436	77,519	307,844
Data processing	5,150	76,239	133	97	81,619	159,218	2,122	161,340	242,959
Other outside services	108,468	46,441	21	15	154,945	29,226	330	29,556	184,501
Dues and subscriptions	15,441	64,879	398	292	81,010	21,008	6,362	27,370	108,380
Mailing list rental	-	23,861	-	-	23,861	44,880	-	44,880	68,741
Telephone	22,854	21,839	291	213	45,197	8,224	4,653	12,877	58,074
Total functional expenses	<u>\$ 278,036,080</u>	<u>\$ 9,770,074</u>	<u>\$ 158,240</u>	<u>\$ 74,032</u>	<u>\$ 288,038,426</u>	<u>\$ 4,782,807</u>	<u>\$ 2,043,252</u>	<u>\$ 6,826,059</u>	294,864,485
Direct benefit to donor costs									<u>285,458</u>
TOTAL EXPENSES									<u>\$ 295,149,943</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services				Supporting Services			Total 2016 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	\$ 285,292,557	\$ -	\$ 232,860	\$ -	\$ 285,525,417	\$ -	\$ -	\$ -	\$ 285,525,417
Salaries and related benefits	2,381,395	3,084,183	28,300	34,127	5,528,005	1,636,142	1,303,483	2,939,625	8,467,630
Professional fees	376,237	1,934,147	3,274	4,629	2,318,287	551,271	154,601	705,872	3,024,159
IT related costs	627,819	514,944	3,592	4,439	1,150,794	321,348	169,643	490,991	1,641,785
Printing	26,055	682,066	363	9,760	718,244	382,850	591	383,441	1,101,685
Postage and shipping	156,842	318,222	325	2,284	477,673	537,048	4,262	541,310	1,018,983
Occupancy	287,811	359,780	2,514	3,107	653,212	188,219	118,724	306,943	960,155
Advertising and promotion	804	576,915	6	7	577,732	20,546	267	20,813	598,545
Depreciation and amortization	177,555	206,071	1,551	1,917	387,094	108,176	73,243	181,419	568,513
Conferences, meetings and travel	28,041	255,781	8,107	2,478	294,407	88,873	10,282	99,155	393,562
Fairs and exhibits	-	368,197	-	3,525	371,722	1,016	-	1,016	372,738
Office Supplies and Expenses	123,290	82,353	530	667	206,840	44,473	25,007	69,480	276,320
Data processing	5,063	78,660	44	55	83,822	180,912	2,089	183,001	266,823
Other outside services	115,348	59,950	6	24	175,328	23,080	302	23,382	198,710
Dues and subscriptions	19,659	65,333	169	209	85,370	23,531	7,971	31,502	116,872
Mailing list rental	-	22,616	-	200	22,816	42,902	-	42,902	65,718
Telephone	20,828	21,812	102	126	42,868	8,661	4,817	13,478	56,346
Total functional expenses	<u>\$ 289,639,304</u>	<u>\$ 8,631,030</u>	<u>\$ 281,743</u>	<u>\$ 67,554</u>	<u>\$ 298,619,631</u>	<u>\$ 4,159,048</u>	<u>\$ 1,875,282</u>	<u>\$ 6,034,330</u>	<u>304,653,961</u>
Direct benefit to donor costs									<u>245,879</u>
TOTAL EXPENSES									<u>\$ 304,899,840</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 289,106,419	\$ 305,030,131
Cash received from special events, net	630,896	693,881
Cash received mailing list rental	46,318	48,853
Cash paid to patients, suppliers, and employees	(284,352,899)	(292,765,243)
Investment income received	317,248	254,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,747,982</u>	<u>13,262,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	1,894,260	7,422,366
Purchase of investments	(2,191,696)	(7,687,328)
Proceeds from disposal of equipment	513,028	-
Purchases of property and equipment	(402,435)	(466,818)
NET CASH USED IN INVESTING ACTIVITIES	<u>(186,843)</u>	<u>(731,780)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,561,139	12,530,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,011,811</u>	<u>4,481,530</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,572,950</u>	<u>\$ 17,011,811</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,643,290	\$ 6,172,335
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	449,602	568,513
Gain on disposal of assets	(41,951)	-
Donated stock	(29,406)	(15,586)
Net realized and unrealized gain on investments	(1,367,298)	(385,755)
Effects of changes in operating assets and liabilities:		
Contributions receivable	(742,705)	6,491,394
Donated medication inventory	1,757,797	(85,410)
Other assets	(61,331)	(93,730)
Accounts payable and accrued expenses	114,019	521,166
Refundable advance	(10,000)	(25,000)
Deferred rent	(49,804)	69,507
Other liabilities	139,957	72,045
Annuities payable	(54,188)	(27,418)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,747,982</u>	<u>\$ 13,262,061</u>

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

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Since 1971, 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 accounting principles generally accepted in the United States of America 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, 2017 and December 31, 2016.

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, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

These amounts are recorded at net realizable value. AKF provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written-off against the related allowance. At December 31, 2017 and 2016, amounts are deemed to be fully collectible. No discount has been calculated for 2017 or 2016 as all significant receivables are due within one year at December 31, 2017 and 2016.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. There were no receivables in 2017 or 2016 that were required to be discounted.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is the leading provider of charitable, treatment-related financial assistance to people in the United States who are living with kidney failure. In 2017, AKF helped more than 93,000 dialysis patients—one out of every five dialysis patients in the United States. Its Health Insurance Premium Program helps patients maintain insurance coverage. Its 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. AKF also provides patients with in-kind donated medications; disaster relief grants when disaster strikes a local community; grants to pediatric patients who wish to attend summer or day camps; 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. It conducts media campaigns to raise awareness about kidney disease. AKF's toll-free HelpLine provides callers with information about kidney disease. There are more than 20 titles in its 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. The online professional education program provides continuing education opportunities for professionals who treat kidney patients. AKF provides free kidney disease screenings to people who are at risk for kidney disease. Over the past 10 years, AKF has provided free kidney disease screenings to more than 100,000 people. In 2017, screenings in 24 cities across the United States were provided.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (continued)

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.

Reclassifications

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

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, 2017 and 2016

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 or any unfunded commitments at December 31, 2017 and 2016.

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, 2017:

	Cost	Accumulated Net Unrealized Gains (Losses)	Level 1	Level 2	Total Fair Value
Unrestricted and temporarily:					
Money market accounts	\$ 395,944	\$ -	\$ 395,944	\$ -	\$ 395,944
Certificates of deposit	9,215	-	-	9,215	9,215
Mutual funds, exchange-traded, and closed-end funds - fixed income	568,498	9,930	578,428	-	578,428
Corporate and asset backed bonds	2,712,312	13,352	66,290	2,659,374	2,725,664
U.S. government securities and U.S. government securities from mutual, exchange-traded and closed-end funds	964,391	(3,356)	224,300	736,735	961,035
Corporate stocks, mutual, exchange-traded and closed-end funds:		-			
Large cap	2,832,798	786,850	3,619,648	-	3,619,648
Small and mid cap	1,068,708	189,871	1,258,579	-	1,258,579
International	2,660,103	330,756	2,990,859	-	2,990,859
Other	1,674,067	(19,420)	1,654,647	-	1,654,647
Total unrestricted and temporarily restricted	12,886,036	1,307,983	10,788,695	3,405,324	14,194,019
Permanently restricted:					
U. S. government securities	155,181	19,835	175,016	-	175,016
Total permanently restricted	155,181	19,835	175,016	-	175,016
Total investments	\$ 13,041,217	\$ 1,327,818	\$ 10,963,711	\$ 3,405,324	\$ 14,369,035

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – INVESTMENTS (CONTINUED)

The following summarizes AKF's investments using fair value measurements at December 31, 2016:

	Cost	Accumulated Net Unrealized Gains (Losses)	Level 1	Level 2	Total Fair Value
Unrestricted and temporarily:					
Money market accounts	\$ 266,027	\$ -	\$ 266,027	\$ -	\$ 266,027
Certificates of deposit	9,878	(562)	-	9,316	9,316
Mutual funds, exchange-traded, and closed-end funds - fixed income	560,873	(3,755)	557,118	-	557,118
Corporate and asset backed bonds	2,717,912	(6,908)	65,671	2,645,333	2,711,004
U.S. government securities and U.S. government securities from mutual, exchange-traded and closed-end funds	800,994	(6,931)	224,661	569,402	794,063
Corporate stocks, mutual, exchange-traded and closed-end funds:					
Large cap	3,071,316	152,090	3,223,406	-	3,223,406
Small and mid cap	794,405	96,636	891,041	-	891,041
International	2,587,429	(171,115)	2,416,314	-	2,416,314
Other	1,735,836	(104,249)	1,631,587	-	1,631,587
 Total unrestricted and temporarily restricted	 <u>12,544,670</u>	 <u>(44,794)</u>	 <u>9,275,825</u>	 <u>3,224,051</u>	 <u>12,499,876</u>
Permanently restricted:					
U. S. government securities	155,464	19,553	175,017	-	175,017
 Total permanently restricted	 <u>155,464</u>	 <u>19,553</u>	 <u>175,017</u>	 <u>-</u>	 <u>175,017</u>
 Total investments	 <u>\$ 12,700,134</u>	 <u>\$ (25,241)</u>	 <u>\$ 9,450,842</u>	 <u>\$ 3,224,051</u>	 <u>\$ 12,674,893</u>

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

	2017	2016
Dividends and interest	\$ 387,392	\$ 323,837
Realized and unrealized appreciation	1,367,298	385,755
Investment advisory fees	(70,144)	(69,399)
 Total	 <u>\$ 1,684,546</u>	 <u>\$ 640,193</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016, total cash deposits held at financial institutions were \$29,706,324 and \$25,519,042, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2017	2016
Software and office equipment	\$ 4,266,397	\$ 5,104,902
Furniture and fixtures	168,880	168,879
Leasehold improvements	<u>188,835</u>	<u>121,959</u>
Total	4,624,112	5,395,740
Less: accumulated depreciation	<u>(3,721,769)</u>	<u>(3,975,151)</u>
Total	<u><u>\$ 902,343</u></u>	<u><u>\$ 1,420,589</u></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, 2017 and 2016, the board of trustees designated \$1,743,774 and \$1,100,726, respectively, for patient assistance grants. Total cumulative board designation at December 31, 2017 and 2016, was \$2,844,500 and \$1,100,726, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	2017	2016
Research	\$ 310,742	\$ 458,269
Patient aid	597,813	2,381,440
Public and professional education	<u>10,370</u>	<u>35,000</u>
Total	<u><u>\$ 918,925</u></u>	<u><u>\$ 2,874,709</u></u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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:

	2017	2016
Patient aid	\$ 169,026	\$ 169,026
Research	5,991	5,991
Total	\$ 175,017	\$ 175,017

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

In December 2011, AKF entered into a 10-year lease for its 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 \$481,852 and \$531,656 at December 31, 2017 and 2016, respectively. In addition, AKF is obligated under leases for office space in Long Island, New York. The New York lease expires on March 31, 2021. AKF also committed to office space for one year in Washington D.C.

Occupancy expense for office space was \$903,916 and \$960,155 in 2017 and 2016, respectively. Future minimum obligations under noncancellable office leases and other operating leases/contracts are as follows at December 31:

	Office Leases	Contracts/ Other Leases	Total
2018	\$ 971,506	\$ 34,176	\$ 1,005,682
2019	975,502	34,176	1,009,678
2020	1,000,750	28,479	1,029,229
2021	996,074	949	997,023
2022	323,852	-	323,852
Total	\$ 4,267,684	\$ 97,780	\$ 4,365,464

Contingencies

In the ordinary course of activities, AKF is party to various legal and administrative actions. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the financial statements of AKF.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 – PUBLIC SUPPORT

During 2017, AKF continued its tradition of broad-based public support with approximately 61,000 active contributors and almost 93,100 gifts. AKF received public support from two corporations in the amount of \$246,324,334 and \$242,191,792 for 2017 and 2016, respectively. These contributions represented 82% and 78% of the total support and revenue for 2017 and 2016, respectively. These two corporations are part of approximately 160 and 179 corporations which supported AKF patient grant programs during 2017 and 2016, respectively.

NOTE 10 – JOINT COSTS

For the years ended December 31, 2017 and 2016, AKF incurred joint costs of \$1,880,466 and \$1,881,479, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2017 and 2016 were allocated as follows:

	<u>2017</u>	<u>2016</u>
Fundraising	\$ 1,203,251	\$ 1,231,992
Public education	<u>597,215</u>	<u>649,487</u>
Total	<u>\$ 1,800,466</u>	<u>\$ 1,881,479</u>

NOTE 11 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2017 and 2016, AKF received donated medical products supporting patient aid programs. In-kind contributions for the years ended December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Medical products	\$ 7,754,611	\$ 10,378,771
Advertising, printing, and donated items for events	<u>459,048</u>	<u>487,274</u>
Total in-kind contributions	<u>\$ 8,213,659</u>	<u>\$ 10,866,045</u>

NOTE 12 – RETIREMENT PLANS

AKF maintains a Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under Internal Revenue Service (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 \$372,046 and \$336,890 for 2017 and 2016, 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 \$739,321 and \$599,364 at December 31, 2017 and 2016, respectively.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016. 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.

Endowment net asset composition by type of fund as of December 31, 2017, was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 10,046	\$ 175,017	\$ 185,063

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 13 – ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2017, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 9,120	\$ 175,017	\$ 184,137
Investment return:			
Investment income	3,241	-	3,241
Total	<u>12,361</u>	<u>175,017</u>	<u>187,378</u>
Appropriation of endowment assets for expenditure	<u>(2,315)</u>	<u>-</u>	<u>(2,315)</u>
Net assets, end of year	<u>\$ 10,046</u>	<u>\$ 175,017</u>	<u>\$ 185,063</u>

Endowment net asset composition by type of fund as of December 31, 2016, was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	<u>\$ 9,120</u>	<u>\$ 175,017</u>	<u>\$ 184,137</u>

Changes in endowment net assets for the year ended December 31, 2016, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 8,257	\$ 175,017	\$ 183,274
Investment return:			
Investment income	3,020	-	3,020
Total	<u>11,277</u>	<u>175,017</u>	<u>186,294</u>
Appropriation of endowment assets for expenditure	<u>(2,157)</u>	<u>-</u>	<u>(2,157)</u>
Net assets, end of year	<u>\$ 9,120</u>	<u>\$ 175,017</u>	<u>\$ 184,137</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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.

NOTE 15 – LINE OF CREDIT

Effective October 2015, AKF has an unsecured line of credit with UBS Financial Services, Inc. in the amount of \$8,300,000. The line of credit bears interest at LIBOR plus 2%. At December 31, 2017 and 2016, this was approximately 3.564% and 2.772%, respectively. There were no outstanding borrowings as of December 31, 2017 and 2016.

NOTE 16 – 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 those changes could materially affect the amounts reported in the statements of financial position and activities.

NOTE 17 – SUBSEQUENT EVENTS

Management evaluated subsequent events through March 26, 2018, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to March 26, 2018, that provided additional evidence about conditions that existed at December 31, 2017, have been recognized in the financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, 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, 2017.