

AMERICAN KIDNEY FUND, INC.
Rockville, Maryland

FINANCIAL STATEMENTS
December 31, 2013 and 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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 24, 2014

FINANCIAL STATEMENTS

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,117,482	\$ 4,604,118
Pledges receivable	94,307	86,550
Donated medication inventory	1,035,210	1,917,399
Other assets	110,933	223,884
Total Current Assets	12,357,932	6,831,951
LONG-TERM ASSETS		
Investments at fair value	12,033,699	14,949,159
Pledges receivable	11,760	47,040
Other assets	510,081	371,948
Property and equipment, net	1,854,672	2,235,804
Total Long-Term Assets	14,410,212	17,603,951
TOTAL ASSETS	\$ 26,768,144	\$ 24,435,902
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 676,723	\$ 986,204
Refundable advance	100,000	100,000
Annuities payable	10,607	24,707
Total Current Liabilities	787,330	1,110,911
LONG-TERM LIABILITIES		
Deferred rent	447,624	399,524
Other liabilities	440,593	301,240
Annuities payable	314,470	325,077
Total Long-Term Liabilities	1,202,687	1,025,841
TOTAL LIABILITIES	1,990,017	2,136,752
NET ASSETS		
Unrestricted	22,808,259	19,002,120
Temporarily restricted	1,794,851	3,122,013
Permanently restricted	175,017	175,017
TOTAL NET ASSETS	24,778,127	22,299,150
TOTAL LIABILITIES AND NET ASSETS	\$ 26,768,144	\$ 24,435,902

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 210,260,666	\$ 659,570	\$ 210,920,236	\$ 177,954,224	\$ 1,161,710	\$ 179,115,934
Planned giving	783,945	-	783,945	1,500,130	-	1,500,130
In-kind contributions	487,086	5,870,418	6,357,504	1,212,598	4,024,077	5,236,675
Special events, net of direct benefit donor costs of \$282,947 and \$296,474, respectively	626,390	-	626,390	808,206	-	808,206
Specialty programs	106,767	484,797	591,564	137,922	556,974	694,896
Total public support	<u>212,264,854</u>	<u>7,014,785</u>	<u>219,279,639</u>	<u>181,613,080</u>	<u>5,742,761</u>	<u>187,355,841</u>
Revenue:						
Investment income	1,052,052	2,960	1,055,012	1,040,106	3,425	1,043,531
Mailing list rental	50,637	-	50,637	101,471	-	101,471
Total revenue	<u>1,102,689</u>	<u>2,960</u>	<u>1,105,649</u>	<u>1,141,577</u>	<u>3,425</u>	<u>1,145,002</u>
Total support and revenue before net assets released from restrictions	213,367,543	7,017,745	220,385,288	182,754,657	5,746,186	188,500,843
Net assets released from restrictions	8,344,907	(8,344,907)	-	5,978,725	(5,978,725)	-
Total support and revenue	<u>221,712,450</u>	<u>(1,327,162)</u>	<u>220,385,288</u>	<u>188,733,382</u>	<u>(232,539)</u>	<u>188,500,843</u>
EXPENSES						
Program services:						
Direct patient aid	206,143,973	-	206,143,973	183,733,382	-	183,733,382
Public and professional education	6,343,308	-	6,343,308	8,222,284	-	8,222,284
Research	221,162	-	221,162	159,395	-	159,395
Community services	80,023	-	80,023	41,289	-	41,289
Total program services	<u>212,788,466</u>	<u>-</u>	<u>212,788,466</u>	<u>192,156,350</u>	<u>-</u>	<u>192,156,350</u>
Supporting services:						
Fundraising	3,645,161	-	3,645,161	3,981,144	-	3,981,144
Management and general	1,472,684	-	1,472,684	1,491,447	-	1,491,447
Total supporting services	<u>5,117,845</u>	<u>-</u>	<u>5,117,845</u>	<u>5,472,591</u>	<u>-</u>	<u>5,472,591</u>
Total expenses	<u>217,906,311</u>	<u>-</u>	<u>217,906,311</u>	<u>197,628,941</u>	<u>-</u>	<u>197,628,941</u>
CHANGE IN NET ASSETS	<u>\$ 3,806,139</u>	<u>\$ (1,327,162)</u>	<u>\$ 2,478,977</u>	<u>\$ (8,895,559)</u>	<u>\$ (232,539)</u>	<u>\$ (9,128,098)</u>

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, 2013 and 2012

	Unrestricted				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
BEGINNING BALANCES, January 1, 2012	\$ 21,101,163	\$ 6,796,516	\$ 3,354,552	\$ 175,017	\$ 31,427,248
Change in net assets	(8,895,559)	-	(232,539)	-	(9,128,098)
Board designation transfer	6,796,516	(6,796,516)	-	-	-
ENDING BALANCES, December 31, 2012	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

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><u>\$ 218,189,258</u></u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program Services				Supporting Services			Total 2012 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	\$ 180,303,890	\$ -	\$ 140,890	\$ -	\$ 180,444,780	\$ -	\$ -	\$ -	\$ 180,444,780
Salaries and related expenses	1,945,585	3,252,307	6,383	8,107	5,212,382	1,471,459	1,099,993	2,571,452	7,783,834
Printing	28,015	584,029	97	11,780	623,921	758,650	1,339	759,989	1,383,910
Advertising and promotion	1,658	1,307,597	4	5	1,309,264	34,744	660	35,404	1,344,668
IT related costs	437,658	374,878	605	817	813,958	210,145	108,414	318,559	1,132,517
Professional fees	70,325	723,759	132	178	794,394	292,200	23,629	315,829	1,110,223
Occupancy	272,854	391,321	607	819	665,601	152,068	108,682	260,750	926,351
Postage and shipping	126,314	300,825	347	112	427,598	487,989	4,059	492,048	919,646
Depreciation and amortization	216,112	269,771	480	649	487,012	118,005	86,081	204,086	691,098
Conferences, meetings, and travel	39,274	240,439	9,052	2,780	291,545	101,335	13,616	114,951	406,496
Fairs and exhibits	-	367,933	466	13,319	381,718	5,732	-	5,732	387,450
Office supplies and expenses	124,318	99,613	152	205	224,288	43,541	27,224	70,765	295,053
Data processing	4,683	102,243	10	14	106,950	166,835	1,866	168,701	275,651
Other outside services	121,269	74,467	35	1,197	196,968	30,088	369	30,457	227,425
Telephone	21,912	59,571	44	59	81,586	45,196	7,827	53,023	134,609
Dues and subscriptions	19,515	49,960	91	58	69,624	28,536	7,688	36,224	105,848
Mailing list rental	-	23,571	-	1,190	24,761	34,621	-	34,621	59,382
Total functional expenses	<u>\$ 183,733,382</u>	<u>\$ 8,222,284</u>	<u>\$ 159,395</u>	<u>\$ 41,289</u>	<u>\$ 192,156,350</u>	<u>\$ 3,981,144</u>	<u>\$ 1,491,447</u>	<u>\$ 5,472,591</u>	197,628,941
Direct benefit to donor costs									296,474
TOTAL EXPENSES									<u>\$ 197,925,415</u>

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

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 212,278,165	\$ 181,235,736
Cash received from special events, net	633,890	908,206
Cash received mailing list rental	50,637	101,471
Cash paid to patients, suppliers and employees	(210,064,343)	(190,701,088)
Investment income received	274,563	373,136
	<u>3,172,912</u>	<u>(8,082,539)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	13,724,631	14,562,689
Purchase of investments	(10,018,899)	(14,968,922)
Purchases of property and equipment	(365,280)	(793,713)
	<u>3,340,452</u>	<u>(1,199,946)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,513,364	(9,282,485)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,604,118</u>	<u>13,886,603</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,117,482</u>	<u>\$ 4,604,118</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,478,977	\$ (9,128,098)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	742,685	691,098
Donated stock	(9,823)	(53,052)
Loss on disposal of equipment	3,727	-
Realized and unrealized gain on investments	(780,449)	(726,794)
Amortization of free rent	35,280	35,280
Effects of changes in operating assets and liabilities:		
Pledges receivable	(7,757)	(27,173)
Donated medication inventory	882,189	251,218
Other assets	(25,182)	(8,520)
Accounts payable and accrued expenses	(309,481)	245,228
Refundable advance	-	100,000
Deferred rent	48,100	399,524
Other liabilities	139,353	70,187
Annuities payable	(24,707)	68,563
	<u>\$ 3,172,912</u>	<u>\$ (8,082,539)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		

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

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 from the general public. 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.

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, 2013 and December 31, 2012.

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.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2013 and 2012

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 2013 and 2012, 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, 2013 and 2012

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 2013, AKF helped more than 87,000 dialysis patients—1 out of every 5 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. Our website receives 3.4 million page views annually. Our media campaigns to raise awareness about kidney disease generated nearly 350 million impressions in 2013. 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 7 courses offered in 2013 and more than 5,600 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 2013, we provided screenings in 20 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, 2013 and 2012

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.

Reclassifications

Certain reclassifications of prior year balances have been made to conform to the current year presentation.

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, 2013 and 2012

NOTE 2 – INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. Based on current year data certain Level 2 bonds in 2012 were determined to be more correctly classified as level 1 mutual funds and the tables were updated to present this reclassification. Additionally, certain U.S. government securities were determined to be more correctly classified as level 2 and the tables were updated to present this reclassification.

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.

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

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
Investment grade bonds and notes	5,469,987	42,976	4,920,302	592,661	5,512,963
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>1,088,376</u>	<u>10,795,439</u>	<u>1,063,244</u>	<u>11,858,683</u>
Permanently restricted:					
Money Market Accounts	495	-	495	-	495
U. S. government securities	157,190	17,331	174,521	-	174,521
Total permanently restricted	<u>157,685</u>	<u>17,331</u>	<u>175,016</u>	<u>-</u>	<u>175,016</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>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2 – INVESTMENTS (CONTINUED)

The following summarizes AKF's investments using fair value measurements at December 31, 2012:

	Cost	Accumulated	Level 1	Level 2	Total
		Net Unrealized Gains (Losses)			
Unrestricted and temporarily:					
Money market accounts	\$ 604,633	\$ -	\$ 604,633	\$ -	\$ 604,633
Investment grade bonds and notes	5,444,235	195,148	5,109,515	529,868	5,639,383
U.S. government securities	3,027,799	53,088	714,572	2,366,315	3,080,887
Corporate stock:					
Large cap	1,892,886	171,364	2,064,250	-	2,064,250
Small and mid cap	908,324	235,467	1,143,791	-	1,143,791
International	1,376,056	176,916	1,552,972	-	1,552,972
Other	830,714	(142,488)	688,226	-	688,226
Total unrestricted and temporarily restricted	<u>14,084,647</u>	<u>689,495</u>	<u>11,877,959</u>	<u>2,896,183</u>	<u>14,774,142</u>
Permanently restricted:					
U. S. government securities	<u>152,882</u>	<u>22,135</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total permanently restricted	<u>152,882</u>	<u>22,135</u>	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total investments	<u>\$ 14,237,529</u>	<u>\$ 711,630</u>	<u>\$ 12,052,976</u>	<u>\$ 2,896,183</u>	<u>\$ 14,949,159</u>

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

	2013	2012
Dividends and interest	\$ 362,865	\$ 417,789
Realized and unrealized appreciation	780,449	726,794
Investment advisory fees	<u>(88,302)</u>	<u>(101,052)</u>
Total	<u>\$ 1,055,012</u>	<u>\$ 1,043,531</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, 2013 and 2012, total cash deposits held at financial institutions were \$16,313,931 and \$8,694,606, respectively.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Software and office equipment	\$ 4,020,039	\$ 3,764,503
Furniture and fixtures	188,236	203,505
Leasehold improvements	<u>356,721</u>	<u>356,707</u>
Total	4,564,996	4,324,715
Less: accumulated depreciation	<u>(2,710,324)</u>	<u>(2,088,911)</u>
Total	<u><u>\$ 1,854,672</u></u>	<u><u>\$ 2,235,804</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, 2013 and 2012, there were no surplus funds designated by the Board of Trustees for patient assistance grants. As of December 31, 2011, \$6,796,516 was designated by the Board of Trustees for patient assistance grants and those grants were issued in 2012.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Research	\$ 613,860	\$ 826,518
Patient aid	1,083,951	1,988,175
Office build out and in-kind donated rent	47,040	82,320
Public and professional education	<u>50,000</u>	<u>225,000</u>
Total	<u><u>\$ 1,794,851</u></u>	<u><u>\$ 3,122,013</u></u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

In accordance with donor stipulations, these assets are held (and invested) in perpetuity and the income derived from these assets is to be used as specified by the donor. Permanent restrictions were for the following purposes:

	<u>2013</u>	<u>2012</u>
Patient aid	\$ 169,026	\$ 169,026
Research	<u>5,991</u>	<u>5,991</u>
Total	<u><u>\$ 175,017</u></u>	<u><u>\$ 175,017</u></u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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. 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. The New York lease expires on March 31, 2018.

Occupancy expense for office space was \$886,818 and \$926,351 in 2013 and 2012, respectively. Approximate future minimum obligations under non-cancellable office leases and other operating leases/contracts are as follows at December 31:

	Contracts/		Total
	Office Leases	Other Leases	
2014	\$ 842,022	\$ 940,028	\$ 1,782,050
2015	884,541	74,268	958,809
2016	907,271	11,508	918,779
2017	930,628	-	930,628
2018	925,726	-	925,726
Thereafter	<u>3,224,354</u>	<u>-</u>	<u>3,224,354</u>
Total	<u>\$ 7,714,542</u>	<u>\$ 1,025,804</u>	<u>\$ 8,740,346</u>

NOTE 9– PUBLIC SUPPORT

During 2013, AKF continued its tradition of broad-based public support with over 70,200 active contributors and 104,500 gifts. AKF received public support from two corporations in the amount of \$176,066,634 and \$146,807,912 for 2013 and 2012, respectively. These contributions represented 80% and 78% of the total support and revenue for 2013 and 2012, respectively. These two corporations are part of approximately 243 and 244 corporations which supported AKF patient grant programs during 2013 and 2012, respectively.

NOTE 10 – JOINT COSTS

For the years ended December 31, 2013 and 2012, AKF incurred joint costs of \$2,024,228 and \$2,301,292, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2013 and 2012, were allocated as follows:

	2013	2012
Fundraising	\$ 1,288,411	\$ 1,369,128
Public education	<u>735,817</u>	<u>932,164</u>
Total	<u>\$ 2,024,228</u>	<u>\$ 2,301,292</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 11 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2013 and 2012, AKF received donated medical products supporting patient aid programs. In-kind contributions for the years ended December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Medical products	\$ 5,870,418	\$ 4,024,077
Public service announcements	-	739,900
Advertising, exhibit fees, and donated items for special events	<u>487,086</u>	<u>472,698</u>
Total in-kind contributions	<u>\$ 6,357,504</u>	<u>\$ 5,236,675</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 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 \$302,638 and \$334,392 for 2013 and 2012, 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 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, 2013 and 2012, 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, 2013 and 2012

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, 2013, were as follows:

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

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	2,960	-	2,960
Total	11,025	175,017	186,042
Appropriation of endowment assets for expenditure	(4,613)	-	(4,613)
Net assets, end of year	\$ 6,412	\$ 175,017	\$ 181,429

Endowment net asset composition by type of fund as of December 31, 2012, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 8,065	\$ 175,017	\$ 183,082

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 13 – ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2012, were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 19,986	\$ 175,017	\$ 195,003
Investment return:			
Investment income	<u>3,425</u>	<u>-</u>	<u>3,425</u>
Total	<u>23,411</u>	<u>175,017</u>	<u>198,428</u>
Appropriation of endowment assets for expenditure	<u>(15,346)</u>	<u>-</u>	<u>(15,346)</u>
Net assets, end of year	<u><u>\$ 8,065</u></u>	<u><u>\$ 175,017</u></u>	<u><u>\$ 183,082</u></u>

NOTE 14 – INCOME TAXES

The Organization follows the income tax standard for uncertain tax positions. The Organization evaluated its tax positions and determined that they are more-likely-than-not to be sustained on examination. The Organization'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 24, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to March 24, 2014, that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, 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, 2013.

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