

AMERICAN KIDNEY FUND, INC.
Rockville, Maryland

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**AMERICAN KIDNEY FUND, INC.
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Kidney Fund, Inc. (AKF), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 AKF as of December 31 2019 and 2018, 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.

Other Matters

Change in Accounting Policy

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
March 26, 2020

FINANCIAL STATEMENTS

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 41,934,720	\$ 9,928,491
Contributions Receivable	1,056,055	406,909
Other Assets	266,010	258,238
Total Current Assets	43,256,785	10,593,638
LONG-TERM ASSETS		
Investments at Fair Value	15,775,189	13,665,916
Other Assets, Net of Current Portion	1,166,847	858,869
Property and Equipment, Net	1,350,293	1,452,869
Total Long-Term Assets	18,292,329	15,977,654
Total Assets	\$ 61,549,114	\$ 26,571,292
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,768,656	\$ 1,386,476
Grants Payable	791,458	-
Refundable Advances	146,662	55,961
Annuities Payable	6,005	10,737
Total Current Liabilities	2,712,781	1,453,174
LONG-TERM LIABILITIES		
Deferred Rent	400,692	525,315
Other Liabilities	1,099,154	791,176
Annuities Payable, Net of Current Portion	184,821	259,440
Total Long-Term Liabilities	1,684,667	1,575,931
Total Liabilities	4,397,448	3,029,105
NET ASSETS		
Without Donor Restrictions - Undesignated	41,327,831	22,514,910
Without Donor Restrictions - Board Designated	13,476,000	-
Total Without Donor Restrictions	54,803,831	22,514,910
With Donor Restrictions	2,347,835	1,027,277
Total Net Assets	57,151,666	23,542,187
Total Liabilities and Net Assets	\$ 61,549,114	\$ 26,571,292

See accompanying Notes to Financial Statements.

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 314,726,161	\$ 2,945,067	\$ 317,671,228	\$ 296,723,474	\$ 1,788,092	\$ 298,511,566
Planned Giving	1,136,959	284,500	1,421,459	1,466,310	-	1,466,310
In-Kind Contributions	531,298	80,500	611,798	483,268	37,760	521,028
Special Events, Net of Direct Benefit Donor Costs of \$380,374 and \$309,965, Respectively	630,668	-	630,668	594,321	-	594,321
Specialty Programs	116,030	315,205	431,235	120,237	340,580	460,817
Mailing List Rental	46,343	-	46,343	37,532	-	37,532
Satisfaction of Program Restrictions	2,309,471	(2,309,471)	-	2,237,332	(2,237,332)	-
Total Operating Revenues, Gains, and Other Support	319,496,930	1,315,801	320,812,731	301,662,474	(70,900)	301,591,574
OPERATING EXPENSES						
Direct Patient Aid	270,646,791	-	270,646,791	297,961,734	-	297,961,734
Education, Advocacy, and Outreach	11,252,960	-	11,252,960	9,537,413	-	9,537,413
Research	279,143	-	279,143	123,579	-	123,579
Fundraising	4,913,953	-	4,913,953	4,462,458	-	4,462,458
Management and General	2,422,921	-	2,422,921	2,120,632	-	2,120,632
Total Operating Expenses	289,515,768	-	289,515,768	314,205,816	-	314,205,816
Contributions Designated by Board for Patient Assistance Programs	(13,476,000)	-	(13,476,000)	-	-	-
Operating Revenues in Excess of Operating Expenses and Governing Board Actions to (from) Operations	16,505,162	1,315,801	17,820,963	(12,543,342)	(70,900)	(12,614,242)
Investment Return, Net	2,307,759	4,757	2,312,516	(737,663)	4,235	(733,428)
Contributions Designated by Board for Patient Assistance Programs	13,476,000	-	13,476,000	-	-	-
CHANGE IN NET ASSETS	32,288,921	1,320,558	33,609,479	(13,281,005)	(66,665)	(13,347,670)
Net Assets - Beginning of Year	22,514,910	1,027,277	23,542,187	35,795,915	1,093,942	36,889,857
NET ASSETS - END OF YEAR	<u>\$ 54,803,831</u>	<u>\$ 2,347,835</u>	<u>\$ 57,151,666</u>	<u>\$ 22,514,910</u>	<u>\$ 1,027,277</u>	<u>\$ 23,542,187</u>

See accompanying Notes to Financial Statements.

**AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services			Total Expenses	
	Direct Patient Aid	Education, Advocacy and Outreach	Research	Total Program Services	Fundraising	Management and General		Total Supporting Services
EXPENSES								
Grants and Awards	\$ 266,030,979	\$ -	\$ 225,910	\$ 266,256,889	\$ -	\$ -	\$ 266,256,889	
Salaries and Related Benefits	2,581,619	4,590,417	37,058	7,209,094	1,929,098	1,928,318	11,066,510	
Professional Fees	290,205	2,363,922	3,502	2,657,629	868,091	134,973	3,660,693	
Printing	2,929	793,844	36	796,809	629,788	1,372	1,427,969	
IT Related Costs	512,623	387,184	2,615	902,422	196,682	100,795	1,199,899	
Advertising and Promotion	174	1,025,450	2	1,025,626	42,519	86	1,068,231	
Occupancy	226,718	391,914	2,904	621,536	148,188	111,919	881,643	
Postage and Shipping	6,384	269,803	21	276,208	530,308	697	807,213	
Other Outside Services	674,047	88,811	2	762,860	38,436	62	801,358	
Depreciation and Amortization	144,016	248,951	1,845	394,812	94,132	71,093	560,037	
Conferences, Meetings and Travel	24,728	316,028	3,639	344,395	126,852	12,069	483,316	
Office Expenses	99,361	179,659	1,185	280,205	71,165	45,681	397,051	
Fairs and Exhibits	1,089	364,613	26	365,728	762	539	367,029	
Data Processing	5,606	57,991	72	63,669	110,670	2,767	177,106	
Mailing List Rental	-	47,688	-	47,688	101,245	-	148,933	
Dues and Subscriptions	9,981	93,235	128	103,344	15,923	4,927	124,194	
Telephone	26,941	17,217	78	44,236	3,956	2,987	51,179	
Loss on Disposal of Equipment	9,391	16,233	120	25,744	6,138	4,636	36,518	
Total Functional Expenses	<u>\$ 270,646,791</u>	<u>\$ 11,252,960</u>	<u>\$ 279,143</u>	<u>\$ 282,178,894</u>	<u>\$ 4,913,953</u>	<u>\$ 2,422,921</u>	<u>\$ 7,336,874</u>	<u>\$ 289,515,768</u>
Direct Benefit to Donor Costs								380,374
Total Expenses								<u>\$ 289,896,142</u>

See accompanying Notes to Financial Statements.

AMERICAN KIDNEY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total Expenses
	Direct Patient Aid	Education, Advocacy and Outreach	Research	Total Program Services	Fundraising	Management and General	Total Supporting Services	
EXPENSES								
Grants and Awards	\$ 294,423,625	\$ -	\$ 60,396	\$ 294,484,021	\$ -	\$ -	\$ -	\$ 294,484,021
Salaries and Related Benefits	2,269,360	4,101,334	43,508	6,414,202	1,888,499	1,709,683	3,598,182	10,012,384
Professional Fees	166,093	1,763,430	2,222	1,931,745	580,243	74,453	654,696	2,586,441
Printing	32,219	628,137	227	660,583	451,468	643	452,111	1,112,694
Postage and Shipping	197,083	297,626	15	494,724	603,366	374	603,740	1,098,464
IT Related Costs	299,937	379,330	3,212	682,479	195,038	107,614	302,652	985,131
Occupancy	248,926	396,803	3,382	649,111	157,698	113,322	271,020	920,131
Advertising and Promotion	552	692,363	7	692,922	130,004	251	130,255	823,177
Conferences, Meetings, and Travel	35,380	376,887	7,188	419,455	98,256	14,664	112,920	532,375
Depreciation and Amortization	122,562	174,263	1,665	298,490	72,242	55,796	128,038	426,528
Fairs and Exhibits	-	373,096	441	373,537	27	-	27	373,564
Office Expenses	112,192	95,125	834	208,151	42,449	27,937	70,386	278,537
Data Processing	5,089	48,876	69	54,034	97,374	2,317	99,691	153,725
Dues and Subscriptions	11,384	86,626	152	98,162	19,597	5,089	24,686	122,848
Mailing List Rental	-	33,058	-	33,058	73,738	-	73,738	106,796
Other Outside Services	4,902	59,397	12	64,311	41,436	162	41,598	105,909
Telephone	24,926	20,449	147	45,522	6,628	4,911	11,539	57,061
Loss on Disposal of Equipment	7,504	10,613	102	18,219	4,395	3,416	7,811	26,030
Total Functional Expenses	\$ 297,961,734	\$ 9,537,413	\$ 123,579	\$ 307,622,726	\$ 4,462,458	\$ 2,120,632	\$ 6,583,090	314,205,816
Direct Benefit to Donor Costs								309,965
Total Expenses								\$ 314,515,781

See accompanying Notes to Financial Statements.

AMERICAN KIDNEY FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors	\$ 318,970,191	\$ 300,590,338
Cash Received from Special Events, Net	642,668	576,196
Cash Received Mailing List Rental	46,343	37,532
Cash Paid to Patients, Suppliers, and Employees	(287,394,041)	(312,835,026)
Investment Income Received	573,745	307,542
Net Cash Provided (Used) by Operating Activities	32,838,906	(11,323,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale/Maturity of Investments	4,941,476	4,157,064
Purchase of Investments	(5,280,175)	(4,475,021)
Proceeds from Disposal of Equipment	-	2,400
Purchases of Property and Equipment	(493,978)	(1,005,484)
Net Cash Used by Investing Activities	(832,677)	(1,321,041)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,006,229	(12,644,459)
Cash and Cash Equivalents - Beginning of Year	9,928,491	22,572,950
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,934,720	\$ 9,928,491
CHANGE IN NET ASSETS	\$ 33,609,479	\$ (13,347,670)
Adjustments to Reconcile Change in Net Assets to Cash		
Flows from Operating Activities:		
Depreciation and Amortization	560,037	426,528
Loss on Disposal of Assets	36,518	26,030
Realized and Unrealized (Gains) Losses on Investments	(1,738,771)	1,040,970
Donated Stock	(31,804)	(19,894)
Effects of Changes in Operating Assets and Liabilities:		
Contribution Receivables	(649,146)	89,548
Other Assets	(315,750)	470,036
Accounts Payable and Accrued Expenses	382,180	(118,739)
Grants Payable	791,458	-
Refundable Advance	90,701	35,961
Deferred Rent	(124,623)	43,463
Other Liabilities	307,978	51,855
Annuities Payable	(79,351)	(21,506)
Net Cash Provided (Used) by Operating Activities	\$ 32,838,906	\$ (11,323,418)

See accompanying Notes to Financial Statements.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1971, the American Kidney Fund is a nonprofit voluntary health organization whose mission is to fight kidney disease and help people live healthier lives. AKF's comprehensive programs of kidney disease awareness, prevention, and treatment-related financial assistance help people no matter where they are in the fight against kidney disease from being at risk, to managing kidney disease, to coping with dialysis, to living post-transplant. 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).

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, 2019 and 2018.

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.

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, 2019 and 2018, amounts are deemed to be fully collectible. No discount has been calculated for 2019 or 2018 as all significant receivables are due within one year at December 31, 2019 and 2018.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 without donor restrictions unless their use is restriction by donor stipulations or by law.

Net Assets

For financial statement purposes, net assets are as follows:

Net Assets Without Donor Restrictions – These net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Net Assets With Donor Restrictions – These net assets include those net assets whose use by AKF has been donor restricted by specified time or purpose limitations.

Net assets to be held in perpetuity are subject to donor-imposed stipulations that are required to be maintained permanently by AKF.

Revenue Recognition

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

Contributions recognized as without or with donor restrictions depending on existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, either by the passage of time or incurrence of donor specified expenses, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. 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 \$5,000.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 without donor restriction 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 2019 and 2018, no discount was made.

In-Kind Contributions

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.

Measurement of Operation

AKF does not consider investment returns and contributions designed by board for patient assistance program to be revenues, gains and support from its operations.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, the executive office, financial department, information technology and administrative services, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort.

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 2019, AKF helped more than 84,000 kidney patients by providing them need-based assistance for health care expenses. AKF's Health Insurance Premium Program helps dialysis and transplant patients maintain health 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 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.

Education, Advocacy and Outreach – AKF educates the American public about the symptoms, causes, treatment and prevention of kidney disease. AKF's website, KidneyFund.org, received 19 million page views in 2019 from individuals searching for health information. AKF develops multichannel awareness campaigns to educate the public about kidney disease and its comorbid conditions. AKF's educational offerings include a toll-free HelpLine; free, monthly webinars for patients and caregivers; a Kidney Health Coach peer-to-peer community outreach program; and a comprehensive series of printed health education and disease management materials for people with kidney disease and kidney failure. AKF's prevention program, Know Your Kidneys, combats preventable kidney disease by providing services to individuals at highest risk for CKD. Through this program, AKF offers free health screenings, nutrition and fitness presentations, follow-up services and public education materials. AKF screenings check for indicators of hypertension, diabetes and CKD. In 2019, AKF screened more than 12,000 people at 63 events across the country. AKF also runs an annual nationwide art contest for pediatric kidney patients. AKF's advocacy network grew to over 14,600 in 2019. There were 78,900 advocacy interactions generated in social media relating to advocacy and public policy issues. In 2019, AKF's patient advocates went to AKF's website to send 8,500 action alerts to their elected officials.

Research – Since 1989, AKF's Clinical Scientist in Nephrology Program has been improving the quality of care provided to kidney patients and promoting clinical research in nephrology. The program helps to build the nationwide pipeline of top nephrology researchers by providing 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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

Fundraising – AKF's comprehensive development program solicits and secures financial support across all traditional nonprofit fundraising channels including individual giving; corporate and foundation giving; special events; direct mail; planned giving; digital fundraising; and KidneyNation, AKF's DIY peer-to-peer fundraising platform. AKF has nearly 63,000 active donors.

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

Income Taxes

AKF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is designated a "publicly supported" organization under Section 509(a)(1) of the Internal Revenue Code.

Change in Accounting Policy

In June of 2018 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to assist entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions (subject to ASU 2014-09, *Revenue from Contracts with Customers*), and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes.

AKF adopted the principles of the ASU effective January 1, 2019, on a modified prospective basis. Management made a determination that AKF'S existing accounting policies and methods substantially comply with the ASU. Therefore, there were no changes to AKF's accounting methods in 2019 and the adoption of ASU 2018-08 had no effect on AKF's financial statements as of and for the year ended December 31, 2019.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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, 2019 and 2018.

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.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 INVESTMENTS (CONTINUED)

The following summarizes AKF's investments using fair value measurements at December 31, 2019:

	Level 1	Level 2	Total Fair Value
Without Donor Restriction and Purpose Restriction:			
Money Market Accounts	\$ 1,202,902	\$ -	\$ 1,202,902
Certificates of Deposit	-	16,199	16,199
Mutual Funds, Exchange-Traded, and Closed-End Funds - Fixed Income Corporate and Asset Backed Bonds	3,283,146	-	3,283,146
U.S. Government Securities and U.S. Government Securities from Mutual, Exchange-Traded and Closed-End Funds	117,004	1,336,456	1,453,460
Corporate Stocks, Mutual, Exchange-Traded and Closed-End Funds:			
Large Cap	125,228	790,607	915,835
Small and Mid Cap	4,465,545	-	4,465,545
International	1,531,665	-	1,531,665
Other	2,314,643	-	2,314,643
Total Without Donor Restriction and Purpose Restriction	416,777	-	416,777
	13,456,910	2,143,262	15,600,172
Endowment:			
U. S. Government Securities	175,017	-	175,017
Total Endowment	175,017	-	175,017
Total Investments	\$ 13,631,927	\$ 2,143,262	\$ 15,775,189

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 INVESTMENTS (CONTINUED)

The following summarizes AKF's investments using fair value measurements at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total Fair Value</u>
Without Donor Restriction and Purpose Restriction:			
Money Market Accounts	\$ 328,761	\$ -	\$ 328,761
Mutual Funds, Exchange-Traded, and Closed-End Funds - Fixed Income	929,056	-	929,056
Corporate and Asset Backed Bonds	73,594	2,275,290	2,348,884
U.S. Government Securities and U.S. Government Securities from Mutual, Exchange-Traded and Closed-End Funds	157,639	1,339,534	1,497,173
Corporate Stocks, Mutual, Exchange- Traded and Closed-End Funds:			
Large Cap	4,122,523	-	4,122,523
Small and Mid Cap	888,241	-	888,241
International	1,849,915	-	1,849,915
Other	<u>1,526,346</u>	<u>-</u>	<u>1,526,346</u>
Total Without Donor Restriction and Purpose Restriction	9,876,075	3,614,824	13,490,899
Endowment:			
U. S. Government Securities	<u>175,017</u>	<u>-</u>	<u>175,017</u>
Total Endowment	<u>175,017</u>	<u>-</u>	<u>175,017</u>
 Total Investments	 <u>\$ 10,051,092</u>	 <u>\$ 3,614,824</u>	 <u>\$ 13,665,916</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and Interest	\$ 645,681	\$ 381,600
Realized and Unrealized Appreciation (Loss)	1,738,771	(1,040,970)
Investment Advisory Fees	<u>(71,936)</u>	<u>(74,058)</u>
Total	<u>\$ 2,312,516</u>	<u>\$ (733,428)</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 LIQUIDITY

AKF's financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 41,934,720	9,928,491
Contribution Receivable	1,056,055	406,909
Equity Securities and Money Market	13,631,927	10,051,092
Total Financial Assets Available Within One Year	<u>56,622,702</u>	<u>20,386,492</u>
Less:		
Amounts Unavailable for General Expenditure Within Year due to:		
Restricted by Donors in Perpetuity	(175,017)	(175,017)
Restricted by Donors with Purpose Restrictions	<u>(2,172,818)</u>	<u>(852,260)</u>
Total Amounts Unavailable for General Expenditures Within One Year	(2,347,835)	(1,027,277)
Amounts Unavailable to Management Without Board's approval:		
Board Designated - Patient Assistance Grants	<u>(13,476,000)</u>	<u>-</u>
Total Financial Assets Available to Management For General Expenditure Within One Year	<u>\$ 40,798,867</u>	<u>\$ 19,359,215</u>

As described in Note 15, AKF also has a line of credit in the amount of \$8,865,900, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 4 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, 2019 and 2018, total cash deposits held at financial institutions were \$49,645,244 and \$15,657,539, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

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

	2019	2018
Software and Office Equipment	\$ 3,469,252	\$ 5,114,678
Furniture and Fixtures	139,464	168,879
Leasehold Improvements	183,600	247,330
Total	<u>3,792,316</u>	<u>5,530,887</u>
Less: Accumulated Depreciation	<u>(2,442,023)</u>	<u>(4,078,018)</u>
Total	<u>\$ 1,350,293</u>	<u>\$ 1,452,869</u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 BOARD DESIGNATED NET ASSETS

At times the American Kidney Fund may have surplus contributions that the Board designates for patient assistance programs. At December 31, 2019, the Board of Trustees designated \$13,476,000 for patient assistance grants for 2020. In 2018, there were no surpluses for any such designation going into 2019.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specific Purpose:		
Research	\$ 680,930	\$ 287,910
Patient Aid	502,554	438,988
Public and Professional Education	976,719	114,106
Total	<u>2,160,203</u>	<u>841,004</u>
Subject to AKF Spending Policy and Appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$175,017), the income from which is expendable to support:		
Research	5,991	5,991
Patient Aid	181,641	180,282
Total	<u>187,632</u>	<u>186,273</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,347,835</u>	<u>\$ 1,027,277</u>

Net assets released from donor restrictions are comprised of the following for years ended December 31:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions Accomplished:		
Research	\$ 279,143	\$ 123,579
Patient Aid	463,426	785,999
Public and Professional Education	1,566,902	1,327,754
Total Restrictions Released	<u>\$ 2,309,471</u>	<u>\$ 2,237,332</u>

**AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 \$400,692 and \$525,315 at December 31, 2019 and 2018, 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 closed its Long Island, NY office in September 2018 and was able to secure a subtenant as of December 6, 2018. The subtenant has agreed to sublease the space through the lease term of March 31, 2021.

Occupancy expense for office space was \$881,643 and \$920,131 in 2019 and 2018, respectively. Future minimum obligations under noncancellable office leases and other operating leases/contracts are as follows at December 31:

<u>Year Ending December 31,</u>	<u>Office Leases</u>	<u>Contracts/ Other Leases</u>	<u>Total</u>
2020	\$ 1,000,750	\$ 56,268	\$ 1,057,018
2021	996,074	45,829	1,041,903
2022	323,852	33,660	357,512
Total	<u>\$ 2,320,676</u>	<u>\$ 135,757</u>	<u>\$ 2,456,433</u>

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.

NOTE 9 PUBLIC SUPPORT

During 2019 and 2018, AKF continued its tradition of broad-based public support with approximately 63,000 and 61,700 active contributors, respectively. AKF received public support from two corporations in the amount of \$273,641,183 and \$247,055,033 for 2019 and 2018, respectively. These contributions represented 85% and 82% of the total support and revenue for 2019 and 2018, respectively.

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 JOINT COSTS

For the years ended December 31, 2019 and 2018, AKF incurred joint costs of \$2,133,717 and \$1,950,476, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2019 and 2018 were allocated as follows:

	<u>2019</u>	<u>2018</u>
Fundraising	\$ 1,450,501	\$ 1,353,045
Public Education	683,216	597,431
Total	<u>\$ 2,133,717</u>	<u>\$ 1,950,476</u>

NOTE 11 IN-KIND CONTRIBUTIONS

In-kind contributions for the years ended December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Advertising, Printing, and Donated Items for Events	\$ 611,798	\$ 521,028
Total In-Kind Contributions	<u>\$ 611,798</u>	<u>\$ 521,028</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 \$543,964 and \$472,651 for 2019 and 2018, respectively.

AKF also maintains a nonqualified Section 457(b) 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 457(b) plan. AKF also maintains a nonqualified Section 457(f) deferred compensation plan for its President and CEO, contributing a certain amount each year approved by the Board. Due to risk of forfeiture both the 457(b) and 457(f) plan balances are included in other assets and plan obligations are included within other liabilities on the statements of financial position. Additionally, total assets included in the 457(b) and 457(f) represent mutual funds invested in equities and bonds valued at fair value based on quoted market prices in active markets and are Level 1 within their fair value hierarchy. Total amounts recorded by AKF were \$1,099,154 and \$791,176 at December 31, 2019 and 2018, respectively.

**AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 13 ENDOWMENTS

AKF was provided a contribution for investment in perpetuity in the early 1980s. The purpose of this contribution 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, 2019 and 2018. 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.

AKF is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the purpose restrictions have been met.

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 net assets held in perpetuity as:

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 with donor restrictions were as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	\$ 175,017	\$ 175,017
Portion Subject to Appropriation Under SPMIFA	<u>12,615</u>	<u>11,256</u>
Total Funds	<u><u>\$ 187,632</u></u>	<u><u>\$ 186,273</u></u>

Changes in endowment net assets were as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Endowment Net Assets - Beginning of Year	\$ 186,273	\$ 185,063
Investment Income	4,757	4,235
Appropriation of Endowment Assets for Expenditure	<u>(3,398)</u>	<u>(3,025)</u>
Endowment Net Assets - End of Year	<u><u>\$ 187,632</u></u>	<u><u>\$ 186,273</u></u>

AMERICAN KIDNEY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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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 September 2019, AKF has a line of credit with Raymond James Financial in the amount of \$8,865,900, which is secured by AKF's Raymond James securities. The available amount is based on the investments in the account and their individual release rate. The line of credit bears interest at the 30-day LIBOR plus 2%. At December 31, 2019 and 2018, this was approximately 3.76% and 4.503%, respectively. There were no outstanding borrowings as of December 31, 2019 and 2018.

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.

The US District Court, Central District of California granted a preliminary injunction preventing California law AB 290 from becoming law on December 30, 2019. The impact on future grant assistance is unknown pending a trial on the merits. The trial is currently scheduled for mid-July 2020.

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 26, 2020, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2019, but prior to March 26, 2020, that provided additional evidence about conditions that existed at December 31, 2019, have been recognized in the financial statements for the year ended December 31, 2019. Events or transactions that provided evidence about conditions that did not exist at December 31, 2019, 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, 2019.

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. This could impact transactions relating to contributors and vendors. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of March 26, 2020, the amount and likelihood of loss relating to these events is not determined.