

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**AMERICAN KIDNEY FUND, INC.  
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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, 2018 and 2017, 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.

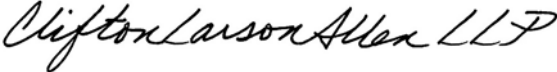
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Kidney Fund, Inc. as of December 31, 2018 and 2017, 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**

*Effect of Adopting New Accounting Standard*

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



**CliftonLarsonAllen LLP**

Greenbelt, Maryland  
March 28, 2019

## **FINANCIAL STATEMENTS**

**AMERICAN KIDNEY FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,928,491	\$ 22,572,950
Contributions Receivable	406,909	496,457
Other Assets	258,238	780,334
Total Current Assets	10,593,638	23,849,741
<b>LONG-TERM ASSETS</b>		
Investments at Fair Value	13,665,916	14,369,035
Other Assets, Net of Current Portion	858,869	806,809
Property and Equipment, Net	1,452,869	902,343
Total Long-Term Assets	15,977,654	16,078,187
Total Assets	\$ 26,571,292	\$ 39,927,928
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,386,476	\$ 1,505,215
Refundable Advances	55,961	20,000
Annuities Payable	10,737	11,648
Total Current Liabilities	1,453,174	1,536,863
<b>LONG-TERM LIABILITIES</b>		
Deferred Rent	525,315	481,852
Other Liabilities	791,176	739,321
Annuities Payable, Net of Current Portion	259,440	280,035
Total Long-Term Liabilities	1,575,931	1,501,208
Total Liabilities	3,029,105	3,038,071
<b>NET ASSETS</b>		
Without Donor Restrictions - Undesignated	22,514,910	32,951,415
Without Donor Restrictions - Board Designated	-	2,844,500
Total Without Donor Restrictions	22,514,910	35,795,915
With Donor Restrictions	1,027,277	1,093,942
Total Net Assets	23,542,187	36,889,857
Total Liabilities and Net Assets	\$ 26,571,292	\$ 39,927,928

See accompanying Notes to Financial Statements.

**AMERICAN KIDNEY FUND, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 296,723,474	\$ 1,788,092	\$ 298,511,566	\$ 285,695,906	\$ 1,789,429	\$ 287,485,335
Planned Giving	1,466,310	-	1,466,310	1,914,158	-	1,914,158
In-Kind Contributions	483,268	37,760	521,028	459,048	7,754,611	8,213,659
Special Events, Net of Direct Benefit Donor Costs of \$309,965 and \$285,458, Respectively	594,321	-	594,321	612,771	-	612,771
Specialty Programs	120,237	340,580	460,817	103,590	405,447	509,037
Mailing List Rental	37,532	-	37,532	46,318	-	46,318
Gain on Disposal of Asset	-	-	-	41,951	-	41,951
Satisfaction of Program Restrictions	2,237,332	(2,237,332)	-	11,908,512	(11,908,512)	-
Total Operating Revenue, Gains, and Other Support	<u>301,662,474</u>	<u>(70,900)</u>	<u>301,591,574</u>	<u>300,782,254</u>	<u>(1,959,025)</u>	<u>298,823,229</u>
<b>OPERATING EXPENSES</b>						
Direct Patient Aid	297,961,734	-	297,961,734	278,036,080	-	278,036,080
Education, Advocacy, and Outreach	9,537,413	-	9,537,413	9,844,106	-	9,844,106
Research	123,579	-	123,579	158,240	-	158,240
Fundraising	4,462,458	-	4,462,458	4,782,807	-	4,782,807
Management and General	2,120,632	-	2,120,632	2,043,252	-	2,043,252
Total Operating Expenses	<u>314,205,816</u>	<u>-</u>	<u>314,205,816</u>	<u>294,864,485</u>	<u>-</u>	<u>294,864,485</u>
Contributions Designated by Board for Patient Assistance Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,743,774)</u>	<u>-</u>	<u>(1,743,774)</u>
Operating Revenues in Excess of Operating Expenses and Governing Board Actions to (from) Operations	(12,543,342)	(70,900)	(12,614,242)	4,173,995	(1,959,025)	2,214,970
Investment Return, Net	(737,663)	4,235	(733,428)	1,681,305	3,241	1,684,546
Contributions Designated by Board for Patient Assistance Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,743,774</u>	<u>-</u>	<u>1,743,774</u>
<b>CHANGE IN NET ASSETS</b>	(13,281,005)	(66,665)	(13,347,670)	7,599,074	(1,955,784)	5,643,290
Net Assets - Beginning of Year	<u>35,795,915</u>	<u>1,093,942</u>	<u>36,889,857</u>	<u>28,196,841</u>	<u>3,049,726</u>	<u>31,246,567</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 22,514,910</u>	<u>\$ 1,027,277</u>	<u>\$ 23,542,187</u>	<u>\$ 35,795,915</u>	<u>\$ 1,093,942</u>	<u>\$ 36,889,857</u>

See accompanying Notes to Financial Statements.

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

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total 2018 Expenses
	Direct Patient Aid	Education, Advocacy and Outreach	Research		Fundraising	Management and General		
<b>EXPENSES</b>								
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	<u>\$ 297,961,734</u>	<u>\$ 9,537,413</u>	<u>\$ 123,579</u>	<u>\$ 307,622,726</u>	<u>\$ 4,462,458</u>	<u>\$ 2,120,632</u>	<u>\$ 6,583,090</u>	<u>314,205,816</u>
Direct Benefit to Donor Costs								309,965
Total Expenses								<u>\$ 314,515,781</u>

See accompanying Notes to 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	Education, Advocacy and Outreach	Research	Total Program Services	Fundraising	Management and General	Total Supporting Services	
<b>EXPENSES</b>								
Grants and Awards	\$ 273,207,590	\$ -	\$ 65,769	\$ 273,273,359	\$ -	\$ -	\$ -	\$ 273,273,359
Salaries and Related Benefits	2,299,890	3,763,886	34,166	6,097,942	1,850,466	1,217,376	3,067,842	9,165,784
Professional Fees	1,172,910	2,717,440	30,207	3,920,557	1,144,986	483,221	1,628,207	5,548,764
IT Related Costs	473,784	468,710	7,423	949,917	241,818	118,750	360,568	1,310,485
Printing	29,506	534,343	27	563,876	389,323	437	389,760	953,636
Postage and Shipping	146,774	296,812	458	444,044	482,624	3,035	485,659	929,703
Occupancy	259,604	367,902	6,687	634,193	162,759	106,964	269,723	903,916
Advertising and Promotion	54	550,417	1	550,472	34,707	22	34,729	585,201
Depreciation and Amortization	134,307	178,307	3,459	316,073	78,191	55,338	133,529	449,602
Conferences, Meetings, and Travel	40,858	289,389	7,289	337,536	87,044	15,206	102,250	439,786
Fairs and Exhibits	-	333,458	42	333,500	250	-	250	333,750
Office Supplies and Expenses	118,890	109,566	1,869	230,325	48,083	29,436	77,519	307,844
Data Processing	5,150	76,336	133	81,619	159,218	2,122	161,340	242,959
Other Outside Services	108,468	46,456	21	154,945	29,226	330	29,556	184,501
Dues and Subscriptions	15,441	65,171	398	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	22,052	291	45,197	8,224	4,653	12,877	58,074
Total Functional Expenses	<u>\$ 278,036,080</u>	<u>\$ 9,844,106</u>	<u>\$ 158,240</u>	<u>\$ 288,038,426</u>	<u>\$ 4,782,807</u>	<u>\$ 2,043,252</u>	<u>\$ 6,826,059</u>	<u>294,864,485</u>
Direct Benefit to Donor Costs								<u>285,458</u>
Total Expenses								<u>\$ 295,149,943</u>

See accompanying Notes to Financial Statements.

**AMERICAN KIDNEY FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributors	\$ 300,590,338	\$ 289,106,420
Cash Received from Special Events, Net	576,196	630,896
Cash Received Mailing List Rental	37,532	46,318
Cash Paid to Patients, Suppliers, and Employees	(312,835,026)	(284,352,899)
Investment Income Received	307,542	317,247
Net Cash (Used in) Provided by Operating Activities	(11,323,418)	5,747,982
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale/Maturity of Investments	4,157,064	1,894,260
Purchase of Investments	(4,475,021)	(2,191,696)
Proceeds from Disposal of Equipment	2,400	513,028
Purchases of Property and Equipment	(1,005,484)	(402,435)
Net Cash Used in Investing Activities	(1,321,041)	(186,843)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(12,644,459)	5,561,139
Cash and Cash Equivalents - Beginning of Year	22,572,950	17,011,811
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 9,928,491	\$ 22,572,950
<b>CHANGE IN NET ASSETS</b>	\$ (13,347,670)	\$ 5,643,290
Adjustments to Reconcile Change in Net Assets to Cash		
Flows from Operating Activities:		
Depreciation and Amortization	426,528	449,602
Loss (Gain) on Disposal of Assets	26,030	(41,951)
Realized and Unrealized Losses (Gains) on Investments	1,040,970	(1,367,298)
Donated Stock	(19,894)	(29,406)
Effects of Changes in Operating Assets and Liabilities:		
Contribution Receivables	89,548	(79,993)
Donated Medication Inventory	-	1,757,797
Other Assets	470,036	(724,043)
Accounts Payable and Accrued Expenses	(118,739)	114,019
Refundable Advance	35,961	(10,000)
Deferred Rent	43,463	(49,804)
Other Liabilities	51,855	139,957
Annuities Payable	(21,506)	(54,188)
Net Cash (Used in) Provided by Operating Activities	\$ (11,323,418)	\$ 5,747,982

See accompanying Notes to Financial Statements.

**AMERICAN KIDNEY FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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, 2018 and December 31, 2017.

**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, 2018 AND 2017**

**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, 2018 and 2017, amounts are deemed to be fully collectible. No discount has been calculated for 2018 or 2017 as all significant receivables are due within one year at December 31, 2018 and 2017.

**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.

**AMERICAN KIDNEY FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**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. During 2017, AKF capitalized assets over \$1,000. Effective January 1, 2018, AKF began capitalizing assets over \$5,000.

**Impairment of Long-Lived Assets**

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

**Annuities Payable**

AKF has received 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 2018 and 2017, 5% was used as the discount rate.

**AMERICAN KIDNEY FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**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. AKF received donated medication in 2017 but did not receive any donated medication in 2018. 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.

**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.

**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 2018, AKF helped more than 87,000 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.

**AMERICAN KIDNEY FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**Functional Allocation of Expenses (Continued)**

*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 8.7 million pageviews in 2018 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 total, AKF screened more than 11,000 people in 25 cities in 2018. AKF also runs an annual nationwide art contest for pediatric kidney patients. AKF's advocacy network grew to over 10,700 in 2018. There were 50,842 advocacy interactions generated in social media relating to advocacy and public policy issues. In 2018, AKF's patient advocates went to AKF's website to send 6,814 action alerts to their elected officials.

*Research* – Since 1989, AKF's the 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.

*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.

*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.

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Policy**

AKF changed accounting policies related to presentation of financial statements and notes about liquidity and financial performance by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used which resulted in no change to the previously reported net assets, except for the liquidity footnote, which is disclosed only for 2018.

**Reclassifications**

Certain amounts in the prior period have been reclassified to conform to the current year's presentation. These reclassification 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.**  
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**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, 2018 and 2017.

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, 2018:

	Level 1	Level 2	Total Fair Value
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	1,526,346	-	1,526,346
Total Without Donor Restriction and Purpose Restriction	9,876,075	3,614,824	13,490,899
Endowment:			
U. S. Government Securities	175,017	-	175,017
Total Endowment	175,017	-	175,017
 Total Investments	 \$ 10,051,092	 \$ 3,614,824	 \$ 13,665,916

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 2 INVESTMENTS (CONTINUED)**

The following summarizes AKF's investments using fair value measurements at December 31, 2017:

	Level 1	Level 2	Total Fair Value
Without Donor Restriction and Purpose Restriction:			
Money Market Accounts	\$ 395,943	\$ -	\$ 395,943
Certificates of Deposit	-	9,215	9,215
Mutual Funds, Exchange-Traded, and Closed-End Funds - Fixed Income Corporate and Asset Backed Bonds	578,428	-	578,428
U.S. Government Securities and U.S. Government Securities from Mutual, Exchange-Traded and Closed-End Funds	66,290	2,659,374	2,725,664
Corporate Stocks, Mutual, Exchange-Traded and Closed-End Funds:			
Large Cap	224,300	736,735	961,035
Small and Mid Cap	3,619,648	-	3,619,648
International	1,258,579	-	1,258,579
Other	2,990,859	-	2,990,859
Other	1,654,647	-	1,654,647
Total Without Donor Restriction and Purpose Restriction	10,788,694	3,405,324	14,194,018
Endowment:			
U. S. Government Securities	175,017	-	175,017
Total Endowment	175,017	-	175,017
Total Investments	<u>\$ 10,963,711</u>	<u>\$ 3,405,324</u>	<u>\$ 14,369,035</u>

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

	2018	2017
Dividends and Interest	\$ 381,600	\$ 387,392
Realized and Unrealized Appreciation (Loss)	(1,040,970)	1,367,298
Investment Advisory Fees	(74,058)	(70,144)
Total	<u>\$ (733,428)</u>	<u>\$ 1,684,546</u>

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 3 LIQUIDITY**

AKF has \$10,335,400 of financial assets available within one year of the balance sheet date consisting of cash of \$9,928,500 and contributions receivable of \$406,900. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable will be collected within one year. As described in note 15, AKF also has a line of credit in the amount of \$8,300,000, which it could draw upon in the event of an unanticipated liquidity need.

**NOTE 4 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, 2018 and 2017, total cash deposits held at financial institutions were \$15,657,539 and \$29,706,324, respectively.

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	<u>2018</u>	<u>2017</u>
Software and Office Equipment	\$ 5,114,678	\$ 4,266,396
Furniture and Fixtures	168,879	168,879
Leasehold Improvements	<u>247,330</u>	<u>188,835</u>
Total	5,530,887	4,624,110
Less: Accumulated Depreciation	<u>(4,078,018)</u>	<u>(3,721,767)</u>
Total	<u>\$ 1,452,869</u>	<u>\$ 902,343</u>

**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, 2017 the Board of Trustees designated \$2,844,500 for patient assistance grants. In 2018 there was no surpluses and the entire 2017 designated amount was used for financial assistance grants.

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 7 NET ASSETS WITH DONOR RESTRICTION**

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

	2018	2017
Subject to Expenditure for Specific Purpose:		
Research	\$ 287,910	\$ 310,742
Patient Aid	438,988	587,767
Public and Professional Education	114,106	10,370
Total	841,004	908,879
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	180,282	179,072
Total	186,273	185,063
Total Net Assets with Donor Restrictions	\$ 1,027,277	\$ 1,093,942

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

	2018	2017
Purpose Restrictions Accomplished:		
Research	\$ 123,579	\$ 158,239
Patient Aid	785,999	10,510,857
Public and Professional Education	1,327,754	1,239,416
Total Restrictions Released	\$ 2,237,332	\$ 11,908,512

**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 \$525,315 and \$481,852 at December 31, 2018 and 2017, 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 subleasing the space through the lease term of March 31, 2021.

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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Occupancy expense for office space was \$920,131 and \$903,916 in 2018 and 2017, 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>
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	<u>\$ 3,296,178</u>	<u>\$ 63,604</u>	<u>\$ 3,359,782</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 2018, AKF continued its tradition of broad-based public support with approximately 61,700 active contributors and 96,000 gifts. AKF received public support from two corporations in the amount of \$247,055,033 and \$246,324,334 for 2018 and 2017, respectively. These contributions represented 82% and 82% of the total support and revenue for 2018 and 2017, respectively.

**NOTE 10 JOINT COSTS**

For the years ended December 31, 2018 and 2017, AKF incurred joint costs of \$1,950,476 and \$1,800,466, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities in 2018 and 2017 were allocated as follows:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 1,353,045	\$ 1,203,251
Public Education	597,431	597,215
Total	<u>\$ 1,950,476</u>	<u>\$ 1,800,466</u>

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 11 IN-KIND CONTRIBUTIONS**

For the year ended December 31, 2017, AKF received donated medical products supporting patient aid programs. There were no donated medical products received during 2018. In-kind contributions for the years ended December 31 consisted of the following:

	2018	2017
Medical Products	\$ -	\$ 7,754,611
Advertising, Printing, and Donated Items for Events	521,028	459,048
Total In-Kind Contributions	\$ 521,028	\$ 8,213,659

**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 \$472,651 and \$372,046 for 2018 and 2017, 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 statement of financial position. Total amounts recorded by AKF were \$791,176 and \$739,321 at December 31, 2018 and 2017, respectively.

**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, 2018 and 2017. 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.

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**NOTE 13 ENDOWMENTS (CONTINUED)**

**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>2018</u>	<u>2017</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	11,256	10,046
Total Funds	<u>\$ 186,273</u>	<u>\$ 185,063</u>

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

	<u>2018</u>	<u>2017</u>
Endowment Net Assets - Beginning of Year	\$ 185,063	\$ 184,137
Investment Income	4,235	3,241
Appropriation of Endowment Assets for Expenditure	(3,025)	(2,315)
Endowment Net Assets - End of Year	<u>\$ 186,273</u>	<u>\$ 185,063</u>

**NOTE 14 INCOME TAXES**

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

**AMERICAN KIDNEY FUND, INC.**  
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**NOTE 15 LINE OF CREDIT**

Effective October 2015, AKF has a line of credit with UBS Financial Services, Inc. in the amount of \$8,300,000, which is secured by AKF's UBS securities. The line of credit bears interest at LIBOR plus 2%. At December 31, 2018 and 2017, this was approximately 4.503% and 3.564%, respectively. There were no outstanding borrowings as of December 31, 2018 and 2017.

**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 28, 2019, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to March 28, 2019, that provided additional evidence about conditions that existed at December 31, 2018, have been recognized in the financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.