

AMERICAN KIDNEY FUND, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended December 31, 2023 and 2022

AMERICAN KIDNEY FUND, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

DECEMBER 31, 2023 AND 2022

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Trustees
American Kidney Fund, Inc.

Opinion

We have audited the financial statements of American Kidney Fund, Inc. (AKF) (a District of Columbia corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AKF as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of AKF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of AKF as of and for the year ended December 31, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on April 11, 2023.

Responsibilities of Management for the Financial Statements

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



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AKF's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 AKF's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AKF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Owings Mills, Maryland
April 3, 2024

AMERICAN KIDNEY FUND, INC.

**Statements of Financial Position
As of December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 124,491,320	\$ 63,865,935
Contributions receivable, net	2,094,976	1,571,360
Other receivable	-	2,861,854
Other assets	661,014	550,356
Total current assets	<u>127,247,310</u>	<u>68,849,505</u>
LONG-TERM ASSETS		
Investments	29,533,360	16,293,694
Right of use asset - operating	1,322,988	2,105,575
Other assets, net of current portion	888,560	783,721
Property and equipment, net	899,540	1,108,648
Total long-term assets	<u>32,644,448</u>	<u>20,291,638</u>
Total Assets	<u>\$ 159,891,758</u>	<u>\$ 89,141,143</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,126,676	\$ 2,029,906
Refundable advances	-	222,993
Annuities payable	5,738	7,631
Lease liability - operating	700,626	868,187
Total current liabilities	<u>3,833,040</u>	<u>3,128,717</u>
LONG-TERM LIABILITIES		
Lease liability - operating, net of current portion	622,362	1,405,245
Other liabilities	909,733	722,635
Annuities payable, net of current portion	128,576	164,930
Total long-term liabilities	<u>1,660,671</u>	<u>2,292,810</u>
Total liabilities	<u>5,493,711</u>	<u>5,421,527</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	73,890,113	61,071,304
Board-designated	74,831,000	17,539,000
Total without donor restrictions	<u>148,721,113</u>	<u>78,610,304</u>
With donor-restrictions:	5,676,934	5,109,312
Total net assets	<u>154,398,047</u>	<u>83,719,616</u>
Total Liabilities and Net Assets	<u>\$ 159,891,758</u>	<u>\$ 89,141,143</u>

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

AMERICAN KIDNEY FUND, INC.

**Statements of Activities
For the Years Ended December 31, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 337,843,617	\$ 6,639,510	\$ 344,483,127	\$ 330,552,332	\$ 5,280,869	\$ 335,833,201
Planned giving	2,685,316	-	2,685,316	3,826,287	-	3,826,287
In-kind contributions - services	951,422	-	951,422	660,135	2,400	662,535
Special events, net of direct benefit donor costs of \$617,106, and \$509,407, respectively	792,976	-	792,976	420,158	-	420,158
Special programs	367,579	118,385	485,964	309,001	124,965	433,966
Mailing list rental	80,869	-	80,869	74,700	-	74,700
Satisfaction of program restrictions	6,191,939	(6,191,939)	-	3,549,595	(3,549,595)	-
Total operating revenues, gains, and other support	348,913,718	565,956	349,479,674	339,392,208	1,858,639	341,250,847
OPERATING EXPENSES						
Direct patient aid	256,621,363	-	256,621,363	289,938,390	-	289,938,390
Education, advocacy, and outreach	16,283,822	-	16,283,822	13,851,481	-	13,851,481
Research	363,791	-	363,791	327,304	-	327,304
Fundraising	7,390,366	-	7,390,366	6,052,190	-	6,052,190
Management and general	3,746,486	-	3,746,486	3,437,564	-	3,437,564
Total operating expenses	284,405,828	-	284,405,828	313,606,929	-	313,606,929
Contributions designated by Board for patient assistance programs	(57,292,000)	-	(57,292,000)	(17,539,000)	-	(17,539,000)
EXCESS OF OPERATING REVENUES, GAINS, AND OTHER SUPPORT OVER OPERATING EXPENSES	7,215,890	565,956	7,781,846	8,246,279	1,858,639	10,104,918
Investment return, net	5,602,919	1,666	5,604,585	(2,671,345)	3,074	(2,668,271)
Contributions designated by Board for patient assistance programs	57,292,000	-	57,292,000	17,539,000	-	17,539,000
CHANGES IN NET ASSETS	70,110,809	567,622	70,678,431	23,113,934	1,861,713	24,975,647
Net Assets - beginning of year	78,610,304	5,109,312	83,719,616	55,496,370	3,247,599	58,743,969
NET ASSETS - END OF YEAR	\$ 148,721,113	\$ 5,676,934	\$ 154,398,047	\$ 78,610,304	\$ 5,109,312	\$ 83,719,616

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

AMERICAN KIDNEY FUND, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2023, With Comparable Totals for 2022

	Program Services				Supporting Services			Total Expenses	2022 Total Expenses
	Direct Patient Aid	Education, Advocacy, and Outreach	Research	Total Program Services	Fundraising	Management and General	Total Supporting Services		
EXPENSES									
Grants and awards	\$ 251,745,800	\$ -	\$ 280,000	\$ 252,025,800	\$ -	\$ -	\$ -	\$ 252,025,800	\$ 285,384,128
Salaries and related benefits	3,217,093	6,488,321	66,956	9,772,370	2,450,140	3,212,768	5,662,908	15,435,278	13,812,245
Professional fees	158,012	3,821,755	2,661	3,982,428	1,427,839	88,361	1,516,200	5,498,628	4,251,596
Advertising and promotion	3,465	2,289,613	818	2,293,896	247,145	1,938	249,083	2,542,979	2,096,455
Printing	1,131	802,477	19	803,627	1,299,633	633	1,300,266	2,103,893	1,883,405
IT related costs	531,034	517,696	4,842	1,053,572	238,282	160,766	399,048	1,452,620	1,436,771
Postage and shipping	-	434,659	-	434,659	885,636	-	885,636	1,320,295	1,279,591
Occupancy	221,628	373,493	3,733	598,854	151,010	123,935	274,945	873,799	844,240
Other outside services	441,582	86,968	7	528,557	88,117	238	88,355	616,912	744,081
Depreciation	135,322	228,049	2,279	365,650	92,204	75,673	167,877	533,527	516,253
Office expenses	85,885	160,940	1,441	248,266	80,646	47,826	128,472	376,738	343,280
Fairs and exhibits	11,080	337,361	60	348,501	29,093	2,003	31,096	379,597	280,116
Mailing list rental	-	84,173	-	84,173	164,639	-	164,639	248,812	240,682
Conferences, meetings, and travel	44,415	501,266	659	546,340	117,052	21,867	138,919	685,259	233,627
Data processing	5,797	53,481	98	59,376	89,448	3,242	92,690	152,066	157,301
Dues and subscriptions	10,656	97,717	179	108,552	27,924	5,957	33,881	142,433	85,822
Telephone	8,072	5,194	32	13,298	1,292	1,060	2,352	15,650	17,336
Loss on disposal of equipment	391	659	7	1,057	266	219	485	1,542	-
Total Functional Expenses	\$ 256,621,363	\$ 16,283,822	\$ 363,791	\$ 273,268,976	\$ 7,390,366	\$ 3,746,486	\$ 11,136,852	284,405,828	313,606,929
Direct benefit to donor costs								617,106	509,407
Total Expenses								\$ 285,022,934	\$ 314,116,336

The accompanying notes are an integral part of this financial statement.

AMERICAN KIDNEY FUND, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2022

	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	\$ 285,134,728	\$ -	\$ 249,400	\$ 285,384,128	\$ -	\$ -	\$ -	\$ 285,384,128
Salaries and related benefits	2,785,529	5,954,788	63,547	8,803,864	2,089,832	2,918,549	5,008,381	13,812,245
Professional fees	290,889	3,044,596	3,812	3,339,297	768,621	143,678	912,299	4,251,596
Advertising and promotion	4,346	1,865,320	59	1,869,725	224,491	2,239	226,730	2,096,455
Printing	-	664,845	-	664,845	1,218,560	-	1,218,560	1,883,405
IT related costs	555,543	511,669	3,869	1,071,081	219,852	145,838	365,690	1,436,771
Postage and shipping	5,739	429,557	29	435,325	843,175	1,091	844,266	1,279,591
Occupancy	228,912	381,023	3,128	613,063	135,410	95,767	231,177	844,240
Other outside services	585,553	105,041	9	690,603	53,142	336	53,478	744,081
Depreciation	136,400	227,036	1,864	365,300	80,685	70,268	150,953	516,253
Office expenses	90,199	145,406	1,159	236,764	62,825	43,691	106,516	343,280
Fairs and exhibits	83,416	193,614	38	277,068	1,629	1,419	3,048	280,116
Mailing list rental	-	78,462	-	78,462	162,220	-	162,220	240,682
Conferences, meetings, and travel	15,302	139,716	202	155,220	70,804	7,603	78,407	233,627
Data processing	5,134	53,206	70	58,410	96,246	2,645	98,891	157,301
Dues and subscriptions	6,863	51,670	94	58,627	23,659	3,536	27,195	85,822
Telephone	9,837	5,532	24	15,393	1,039	904	1,943	17,336
Total Functional Expenses	\$ 289,938,390	\$ 13,851,481	\$ 327,304	\$ 304,117,175	\$ 6,052,190	\$ 3,437,564	\$ 9,489,754	313,606,929
Direct benefit to donor costs								509,407
Total Expenses								\$ 314,116,336

The accompanying notes are an integral part of this financial statement.

AMERICAN KIDNEY FUND, INC.

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 350,291,156	\$ 339,375,376
Cash received from special events	926,929	420,158
Cash received from mailing list rental	80,869	74,700
Cash paid to patients, suppliers, and employees	(282,848,695)	(315,689,955)
Investment income received	3,049,545	347,321
Net Cash From Operating Activities	<u>71,499,804</u>	<u>24,527,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	10,865,752	3,589,161
Purchase of investments	(21,414,210)	(3,899,912)
Purchases of property and equipment	(325,961)	(377,594)
Net Cash From Investing Activities	<u>(10,874,419)</u>	<u>(688,345)</u>
Net change in cash and cash equivalents	60,625,385	23,839,255
Cash and cash Equivalents - beginning of year	63,865,935	40,026,680
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 124,491,320</u>	<u>\$ 63,865,935</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 70,678,431	\$ 24,975,647
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	533,527	516,253
Loss on disposal of assets	1,542	-
Realized and unrealized (gain) loss on investments	(2,555,040)	3,015,592
Amortization of right of use asset	782,587	774,115
Change in measurement of right of use asset	-	(13,712)
Donated stock	(136,168)	(28,093)
Effects of changes in non-cash operating assets and liabilities		
Contribution receivables	(523,616)	(912,978)
Other receivables	2,861,854	(2,861,854)
Other assets	(215,497)	20,968
Accounts payable and accrued expenses	1,096,770	(452,857)
Refundable advances	(222,993)	222,993
Lease liability	(950,444)	(606,258)
Other liabilities	187,098	(105,831)
Annuities payable	(38,247)	(16,385)
Net Cash From Operating Activities	<u>\$ 71,499,804</u>	<u>\$ 24,527,600</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Right of use asset and lease liability - operating	<u>\$ -</u>	<u>\$ 2,879,690</u>

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

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

1. BACKGROUND OF THE ORGANIZATION

Founded in 1971, the American Kidney Fund, Inc. (AKF) 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 source of revenues is from contributions from the general public. The fiscal year-end is December 31. Significant accounting policies followed by AKF are presented below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

Cash and Cash Equivalents

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. As of December 31, 2023 and 2022, cash equivalents consisted of U.S. Treasury Notes. Money market accounts and certificates of deposit held for investment are recorded and classified as investments.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable are recorded at net realizable value. AKF provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment considering historical information and review of specific accounts. When all collection efforts have been exhausted, the accounts are written off against the related allowance. As of December 31, 2023 and 2022, amounts are deemed to be fully collectible.

Contributions receivable to be received in a future period are discounted to their net present value at the time the revenue is recorded. The discount rate was 3% and the discount amount was \$890 as of December 31, 2022. The discount rate is the average of the annual one-month Secured Overnight Financing Rate (SOFR) plus a credit adjustment spread.

Other Receivable

Patient aid grants that are paid by debit cards and not expended by the grant recipient prior to the cards expiration date are returned to AKF. Total amount due to AKF related to expired debit card balances was \$2,861,854 as of December 31, 2022, and has been included as other receivable on the statement of financial position.

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.

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 restricted by donor stipulations or by law.

Right of Use Asset – Operating Lease

AKF leases an office space. AKF determines if an arrangement is a lease at inception. Operating leases are included in the right of use asset (ROU) and lease liability.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right of Use Asset – Operating Lease (continued)

ROU assets represent AKF's right to use an underlying asset for the lease term and lease liabilities represent AKF's net present value of obligations to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the organization will exercise that option. The facility lease provides for an increase in future minimum annual rental payments subject to certain increases. The agreement requires AKF to pay its share of operating expenses, real estate taxes and insurance over its base year.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. AKF has elected to recognize payments for leases with terms of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. During the year ended December 31, 2023, the amortization expense related to the right of use asset was \$782,587, and it is included in the occupancy expenses in the schedule of functional expenses. As of December 31, 2023, the net present value of the right of use asset was \$1,322,988.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over an estimated useful life of 3 to 10 years. Leasehold improvements are amortized over the life of the lease. AKF capitalizes assets over \$5,000.

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 based on the individuals expected life. 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.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2023 and 2022, no discount was made.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

In-kind contributions, such as donated nutritional supplements, property and equipment and free advertising, 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 on the basis of contract values provided by the donor. In-kind contributions are either capitalized, as it relates to equipment, or shown in the representative functional expense category the gift relates to.

In-kind professional services have benefitted program services and management and report services and consist of contributions of services and supplies. The fair value of these services is based on the estimated hours incurred at standard industry rates.

In-kind contributions for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Advertising, Printing, and Donated Items for Patients and Events	\$ 866,622	\$ 592,027
Donated Services	<u>84,800</u>	<u>70,508</u>
Total In-Kind Contributions	<u>\$ 951,422</u>	<u>\$ 662,535</u>

The in-kind contributions supported Education and Outreach programs for 2023 and 2022.

Measurement of Operation

AKF does not consider investment returns and contributions designated by the Board of Trustees 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 AKF. Expenses allocated on a square footage basis include depreciation and amortization, the executive office, financial department, information technology and administrative services. Expenses allocated on the basis of time and effort are salaries and benefits.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses (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 2023 and 2022, AKF helped more than 62,000 and 73,000 kidney patients, respectively 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 attend virtual 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 over 14 million page views in 2023 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 free monthly webinars for patients and caregivers; a nutrition website, Kidney Kitchen; a Kidney Health Coach peer-to-peer community outreach program; and comprehensive health education and disease management information for people with kidney disease and kidney failure. In 2023, AKF held its fourth annual Kidney Action Week virtual event to provide interactive education and support to kidney patients and those at risk. AKF also runs a national virtual camp program for pediatric kidney patients. AKF's advocacy network grew to nearly 28,000 Ambassadors in 2023. In 2023, AKF's patient Ambassadors went to AKF's website to send more than 25,000 action alerts to their elected officials.

Research

Since 1988, 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 the Financial Statements December 31, 2023 and 2022

2. 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 over 87,000 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 generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, AKF qualifies under Section 509(a)(2) as a publicly supported organization. Income, which is not related to exempt purposes, less applicable deductions, may be subject to Federal and state corporate income taxes (unrelated business income).

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. AKF performed an evaluation of uncertain tax positions as of December 31, 2023 **and 2022**, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of December 31, 2023, the statute of limitations for fiscal years 2020 through 2023 remains open with the U.S. Federal jurisdiction for which AKF files tax returns. It is AKF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

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.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties (continued)

The US District Court, Central District of California granted a preliminary injunction preventing California AB 290 from becoming law on December 30, 2019. Litigation was then severely delayed due to the COVID-19 pandemic. Currently, the parties await a decision on the State of California's motion for reconsideration of Judge Carter's January 4, 2024, summary judgment ruling. That ruling granted summary judgment in part for AKF and granted summary judgment in part for the State of California. AKF's Health Insurance Premium Program was unaffected by the summary judgment decision. However, because both sides of the litigation have indicated they will likely appeal any negative decision to the 9th Circuit Court of appeals, the long-term impact on grant assistance is currently unknown.

In January 2023, AKF received a civil investigative subpoena from the District of Columbia Attorney General's office. The investigative subpoena called for certain documents and records related to (i) AKF's relationships with DaVita, Fresenius, and American Renal Associates in the District; and (ii) AKF's compliance with the D.C. Non-Profit Corporations Act. AKF met with District of Columbia officials in March 2023 and turned over multiple tranches of documents and records as requested. AKF has received no communication from the Attorney General's office since meeting with them in early 2023 and has no reason to believe there will be anything further on the matter.

Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. The objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. This standard was effective for periods beginning after December 15, 2022. AKF adopted ASU 2016-13 for the year ended December 31, 2023; however, the adoption did not have a significant effect on the financial statements.

Subsequent Events

AKF evaluated subsequent events and transactions as of April 3, 2024, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than disclosed above, that would affect the information presented in the accompanying financial statements or require additional disclosure.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

3. 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 AFK 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.

The 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 as of December 31, 2023 and 2022.

Mutual Funds, Exchange-Traded Funds, and Corporate Stocks: Valued based on market prices obtained from recognized automated pricing services, records of any exchange, standard financial periodicals, or any newspaper of general circulation.

U.S. Government Securities: Valued using quoted market prices in active markets.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

3. INVESTMENTS (continued)

The following summarizes AKF's investments using fair value measurements as of December 31:

	2023			
	Level 1	Level 2	Level 3	Total
Without donor restriction and purpose restriction:				
Cash	\$ -	\$ -	\$ -	\$ 125,028
U.S. government securities	-	2,155,130	-	2,155,130
Mutual funds and exchange-traded funds:				
Fixed income	7,836,925	-	-	7,836,925
Corporate stock:				
Large cap	7,194,790	-	-	7,194,790
Small and mid cap	7,914,496	-	-	7,914,496
International	4,131,974	-	-	4,131,974
Total Without Donor Restriction and Purpose Restriction	27,078,185	2,155,130	-	29,358,343
Endowment:				
Cash equivalents	-	-	-	26,476
Mutual funds and exchange-traded funds:				
Fixed income	148,541	-	-	148,541
Total Endowment	148,541	-	-	175,017
Total Investments	\$ 27,226,726	\$ 2,155,130	\$ -	\$ 29,533,360
	2022			
	Level 1	Level 2	Level 3	Total
Without donor restriction and purpose restriction:				
Cash	\$ -	\$ -	\$ -	\$ 543,298
U.S. government securities	-	714,144	-	714,144
Mutual funds and exchange-traded funds:				
Fixed income	4,495,823	-	-	4,495,823
Corporate stock:				
Large cap	5,537,745	-	-	5,537,745
Small and mid cap	1,208,893	-	-	1,208,893
International	3,099,117	-	-	3,099,117
Other	519,657	-	-	519,657
Total Without Donor Restriction and Purpose Restriction	14,861,235	714,144	-	16,118,677
Endowment:				
Cash equivalents	1,283	-	-	1,283
Mutual funds and exchange-traded funds:				
Fixed income	173,734	-	-	173,734
Total Endowment	175,017	-	-	175,017
Total Investments	\$ 15,036,252	\$ 714,144	\$ -	\$ 16,293,694

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

3. INVESTMENTS (continued)

Investment income for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 3,132,658	\$ 413,387
Realized and unrealized appreciation (depreciation)	2,555,040	(3,015,591)
Investment advisory fees	<u>(83,113)</u>	<u>(66,067)</u>
Total	<u>\$ 5,604,585</u>	<u>\$ (2,668,271)</u>

4. LIQUIDITY

AKF's financial assets available for general expenditure within one year as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 124,491,320	\$ 63,865,935
Contribution receivable, net	2,094,976	1,571,360
Other receivable	-	2,861,854
Investments at fair value	<u>29,533,360</u>	<u>16,293,694</u>
Total financial assets available within one year	<u>156,119,656</u>	<u>84,592,843</u>
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restricted by donors in perpetuity	(175,017)	(175,017)
Restricted by donors with purpose restrictions	<u>(5,501,917)</u>	<u>(4,934,295)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,676,934)</u>	<u>(5,109,312)</u>
Amounts unavailable to management without Board's approval:		
Board-Designated - patient assistance grants	<u>(74,831,000)</u>	<u>(17,539,000)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 75,611,722</u>	<u>\$ 61,944,531</u>

As described in Note 15, AKF also had a line of credit with available borrowings of \$9,585,000 and \$6,305,686 as of December 31, 2023 and 2022, respectively, which it could draw upon in the event of an unanticipated liquidity need subject to the level of collateral available of investments (see Note 15).

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

5. 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. As of December 31, 2023 and 2022, total cash deposits held at financial institutions were \$122,707,151 and \$72,475,347, respectively.

6. PROPERTY AND EQUIPMENT

AKF's property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Software and office equipment	\$ 4,095,873	\$ 3,957,442
Furniture and fixtures	124,745	124,745
Leasehold improvements	<u>260,073</u>	<u>243,567</u>
Property and equipment	4,480,691	4,325,754
Accumulated depreciation	<u>(3,581,151)</u>	<u>(3,217,106)</u>
Property and Equipment, Net	<u>\$ 899,540</u>	<u>\$ 1,108,648</u>

Depreciation expense was \$533,527 and \$516,253, for the years ended December 31, 2023 and 2022, respectively.

7. BOARD-DESIGNATED NET ASSETS

AKF's Board of Trustees has designated net assets without restrictions from surplus contributions for patient assistance programs as of December 31, 2023 and 2022, and these were \$74,831,000 and \$17,539,000, respectively.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure of Specific Purpose:		
Research	\$ 389,362	\$ 571,538
Patient Aid	534,323	757,024
Public and Professional Education	4,561,896	3,591,063
Total	<u>5,485,581</u>	<u>4,919,625</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	185,362	183,696
Total	<u>191,353</u>	<u>189,687</u>
Total Net Assets with Donor Restrictions	<u>\$ 5,676,934</u>	<u>\$ 5,109,312</u>

Net assets released from donor restrictions were comprised of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
Research	\$ 363,791	\$ 327,304
Patient Aid	894,135	465,277
Public and Professional Education	4,934,013	2,757,014
Total Restrictions Released	<u>\$ 6,191,939</u>	<u>\$ 3,549,595</u>

9. LEASE LIABILITY

AKF leases an office facility which expires on August 31, 2025 under a noncancellable office lease. The facility lease does not provide information about the discount rate implicit in the lease. Therefore, AKF has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities. The weighted average discount rate was 1.04% as of December 31, 2022.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

9. LEASE LIABILITY (continued)

Future minimum payments under this lease agreement as of December 31, 2023, were as follows:

<u>Years Ending December 31,</u>	
2024	\$ 794,298
2025	624,792
Undiscounted cash flows	1,419,090
Less: imputed interest	13,843
Total Present Value	\$ 1,405,247

10. COMMITMENTS AND CONTINGENCIES

Estates and Bequests

During the year ended December 31, 2023, the Organization was notified that it was one of the beneficiaries of several estates and bequests. As of April 3, 2024, certain estates and bequests are still in the liquidation process. AKF anticipates it is likely they will receive final distributions once the liquidation processes are completed, but as of April 3, 2024, these amounts are unknown and cannot be reasonably estimated.

Contingencies

In the ordinary course of activities, AKF is party to various legal and administrative actions in the normal course of its operations. In the opinion of management, after consultation with legal counsel, the potential liability from these legal and administrative actions is estimated to be immaterial to the financial statements of AKF.

11. PUBLIC SUPPORT

During 2023 and 2022, AKF continued its tradition of broad-based public support with over 87,000 active contributors. AKF received public support from two corporations in the amount of \$301,094,000 and \$290,943,500 during the years ended December 31, 2023 and 2022, respectively. These contributions represented 86% and 85% of the total support and revenue for the years ended December 31, 2023 and 2022, respectively.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

12. JOINT COSTS

For the years ended December 31, 2023 and 2022, AKF incurred joint costs of \$3,743,025 and \$3,404,045, respectively, for educational materials and activities that included fundraising appeals. The joint costs incurred for these activities for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Fundraising	\$ 2,470,804	\$ 2,294,327
Public Education	1,263,221	1,109,718
Total	<u>\$ 3,734,025</u>	<u>\$ 3,404,045</u>

13. RETIREMENT PLANS

AKF maintains a Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under Internal Revenue Service (IRS) regulations. AKF contributes 2% of participants' eligible compensation, plus matches the lesser of 100% of amounts deferred under the Section 403(b) plan, up to 5% of compensation. AKF's contributions were \$686,372 and \$626,205 for the years ended December 31, 2023 and 2022, 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. Due to risk of forfeiture the 457(b) plan balance is 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) 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 \$827,474 and \$722,635 as of December 31, 2023 and 2022, respectively.

14. 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, 2023 and 2022. 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.

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

14. 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:

- The duration and preservation of the fund,
- The purpose of AKF and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of AKF, and
- The investment policies of AKF.

Endowment net asset with donor restrictions were as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</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	16,336	14,670
Total	\$ 191,353	\$ 189,687

Changes in endowment net assets were as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment net assets - beginning of year	\$ 189,687	\$ 189,113
Investment income	1,666	3,074
Appropriation of endowment assets for expenditure	-	(2,500)
Endowment Net Assets - End of Year	\$ 191,353	\$ 189,687

AMERICAN KIDNEY FUND, INC.

Notes to the Financial Statements December 31, 2023 and 2022

15. LINE OF CREDIT

AKF has a line of credit with Raymond James Financial in the amount of \$9,585,000 and \$6,305,686 as of December 31, 2023 and 2022, respectively, 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 CME one-month SOFR plus a credit adjustment spread fixed at 2.25% and 0.11%. As of December 31, 2023 and 2022, the rate was approximately 7.46% and 6.47%, respectively. There were no outstanding borrowings as of December 31, 2023 and 2022.