

FINANCIAL STATEMENTS

**APLASTIC ANEMIA & MDS
INTERNATIONAL FOUNDATION, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2010**

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aplastic Anemia & MDS International Foundation, Inc.
Rockville, Maryland

We have audited the accompanying statement of financial position of the Aplastic Anemia & MDS International Foundation, Inc. (the Foundation) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated June 7, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

May 21, 2012

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APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

ASSETS		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	611,662	\$ 1,040,602
Investments (Notes 2 and 8)		1,336,260	1,422,138
Contributions and grants receivable		663,180	184,081
Inventory		6,036	5,287
Prepaid expenses		<u>21,596</u>	<u>17,998</u>
Total current assets		<u>2,638,734</u>	<u>2,670,106</u>
FIXED ASSETS			
Property and equipment		291,121	227,215
Less: Accumulated depreciation		<u>(215,185)</u>	<u>(195,362)</u>
Net fixed assets		<u>75,936</u>	<u>31,853</u>
OTHER ASSETS			
Security deposits		8,056	7,656
Charitable Remainder Trust (Notes 6 and 8)		<u>198,201</u>	<u>186,982</u>
Total other assets		<u>206,257</u>	<u>194,638</u>
TOTAL ASSETS		<u>\$ 2,920,927</u>	<u>\$ 2,896,597</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>355,169</u>	\$ <u>286,821</u>
NET ASSETS			
Unrestricted:			
Undesignated		810,447	1,228,592
Board-designated		<u>67,912</u>	<u>67,912</u>
Total unrestricted		878,359	1,296,504
Temporarily restricted (Note 3)		<u>1,687,399</u>	<u>1,313,272</u>
Total net assets		<u>2,565,758</u>	<u>2,609,776</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,920,927</u>	<u>\$ 2,896,597</u>

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants:				
Individuals	\$ 641,829	\$ -	\$ 641,829	\$ 541,012
Corporate and foundations	982,167	866,903	1,849,070	1,647,037
Special events	58,669	-	58,669	41,726
Trust and wills (Note 6)	30,000	11,219	41,219	83,558
Investment income (Note 2)	18,337	-	18,337	108,112
Contributed materials	25,496	-	25,496	10,179
Conference and other revenue	25,389	-	25,389	29,188
Net assets released from donor restrictions (Note 4)	<u>503,995</u>	<u>(503,995)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,285,882</u>	<u>374,127</u>	<u>2,660,009</u>	<u>2,460,812</u>
EXPENSES				
Program Services	2,244,268	-	2,244,268	1,841,353
General and Administrative	166,887	-	166,887	184,333
Fundraising	<u>292,872</u>	<u>-</u>	<u>292,872</u>	<u>228,248</u>
Total expenses	<u>2,704,027</u>	<u>-</u>	<u>2,704,027</u>	<u>2,253,934</u>
Change in net assets	(418,145)	374,127	(44,018)	206,878
Net assets at beginning of year	<u>1,296,504</u>	<u>1,313,272</u>	<u>2,609,776</u>	<u>2,402,898</u>
NET ASSETS AT END OF YEAR	<u>\$ 878,359</u>	<u>\$ 1,687,399</u>	<u>\$ 2,565,758</u>	<u>\$ 2,609,776</u>

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	2011			2010	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 718,850	\$ 102,493	\$ 138,716	\$ 960,059	\$ 666,539
Employee benefits (Note 7)	88,801	11,062	14,972	114,835	73,394
Payroll processing fee	1,863	266	359	2,488	1,882
Payroll taxes	58,649	8,362	11,317	78,328	51,846
Professional and contract services	373,436	11,911	23,360	408,707	423,982
Supplies	26,660	864	11,929	39,453	32,489
Equipment	17,372	295	1,472	19,139	21,645
Telephone	4,471	818	847	6,136	10,142
Web internet	62,018	7,748	10,587	80,353	53,131
Postage and shipping	92,275	1,515	21,329	115,119	82,087
Printing	88,317	988	15,120	104,425	92,738
Occupancy and related expense (Note 5)	75,594	10,778	14,587	100,959	80,313
Travel expenses	81,281	960	10,154	92,395	84,301
Meetings	124,849	2,260	442	127,551	219,335
Exhibitor expense	1,562	-	-	1,562	6,572
Food and beverage	107,869	69	5,072	113,010	114,112
Dues and subscriptions	2,321	245	3,649	6,215	2,193
Awards/Honoraria	276,656	470	636	277,762	175,112
Insurance	10,247	1,461	1,977	13,685	13,795
Bank service fees	16,334	2,206	3,483	22,023	19,798
Depreciation	14,843	2,116	2,864	19,823	28,528
TOTAL	\$ 2,244,268	\$ 166,887	\$ 292,872	\$ 2,704,027	\$ 2,253,934

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (44,018)	\$ 206,878
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	19,823	28,528
Unrealized losses (gains) on investments	47,915	(42,820)
Realized gains on investments	(21,517)	(27,930)
Donated investments	(17,908)	(10,179)
Change in value of Charitable Remainder Trust	(11,219)	(10,584)
(Increase) decrease in:		
Contributions and grants receivable	(479,099)	(85,555)
Inventory	(749)	(5,287)
Prepaid expenses	(3,598)	(3,432)
Security deposits	(400)	(1,856)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>68,348</u>	<u>169,517</u>
Net cash (used) provided by operating activities	<u>(442,422)</u>	<u>217,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from (purchase of) investments	77,388	(112,042)
Purchase of property and equipment	<u>(63,906)</u>	<u>(18,828)</u>
Net cash provided (used) by investing activities	<u>13,482</u>	<u>(130,870)</u>
Net (decrease) increase in cash and cash equivalents	(428,940)	86,410
Cash and cash equivalents at beginning of year	<u>1,040,602</u>	<u>954,192</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 611,662</u>	<u>\$ 1,040,602</u>

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Aplastic Anemia & MDS International Foundation, Inc. (the Foundation) is a non-profit organization, incorporated in the State of Maryland and located in Rockville, Maryland. The Foundation was formed to provide patient assistance, advocacy and support; create and distribute educational materials and medical information; and support research to find treatment for various bone marrow diseases including Aplastic Anemia (AA), Myelodysplastic Syndromes (MDS), Paroxysmal Nocturnal Hemoglobinuria (PNH), and related bone marrow failure diseases. The Foundation received voluntary contributions from localized support groups and families which fund-raise independently of the Foundation.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Foundation maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal. Amount in excess of FDIC limits were protected through additional insurance by the financial institution.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Contributions and grants receivable -

Contributions and grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions and grants receivable are considered by management to be fully collectible.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fixed assets -

Fixed assets with acquisition costs of \$500 or more are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Inventory -

Inventory consists of apparel, which is recorded at the lower of cost or market value using the first-in, first-out method of inventory.

Donated materials -

Donated materials include t-shirts, hats, and office supplies; and are recorded at their fair value as of the date the gift is made.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, the Foundation has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources. The Foundation's Board set aside Board-designated net assets for use in support of research related to Aplastic Anemia and Myelodysplastic syndrome.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurements -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2011:

	<u>Market Value</u>
Common stocks	\$ 460,608
Mutual funds	126,407
Corporate bonds	125,254
U.S. Treasury notes and government agency securities	<u>623,991</u>
TOTAL INVESTMENTS	<u>\$ 1,336,260</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

2. INVESTMENTS

Included in investment income are the following at December 31, 2011:

Interest and dividends	\$ 44,735
Unrealized losses	(47,915)
Realized gains	<u>21,517</u>
TOTAL INVESTMENT INCOME	\$ <u>18,337</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011:

Charitable Remainder Trust	\$ 198,201
Research	730,393
Outreach to Community Hematologists Campaign	60,000
Online Learning Module	45,000
MDS Webinar Series	70,000
Rhona's Place Foundation	15,000
Mathew DeBono Scholarship Fund	71,925
ASH Update Webinars for Patients	115,000
2012 Regional Patient & Family Conferences	175,000
Scientific Symposium	92,000
Increasing MDS Patient Treatment Adherence	<u>114,880</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,687,399</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Research	\$ 138,381
Outreach To Community Hematologists Campaign	240,000
Educational Materials	22,779
Harry Carson Scholarship Fund	17,835
Online Learning Module	10,000
Patient Education	10,000
MDS Webinar Series	10,000
E Newsletter	10,000
Website Upgrade	25,000
Restricted Website	5,000
MDS Connection	<u>15,000</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>503,995</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

5. LEASE COMMITMENT

In October 2010, the Foundation expanded its office space by signing an additional lease for another suite, with a lease term of 36 months. The existing leases were also renegotiated, extending the terms for an additional 15 1/2 months. All three leases will expire on October 31, 2013.

Total rent expense was \$87,948 for the year ended December 31, 2011.

Future minimum payments are as follows:

<u>Year Ended December 31,</u>	
2012	\$ 86,754
2013	<u>72,295</u>
	<u>\$ 159,049</u>

6. CHARITABLE REMAINDER TRUST

The Foundation entered into an irrevocable life tenancy agreement with an individual, whereby the Foundation will receive the individual's residence upon his death. Under accounting principles generally accepted in the United States of America, the beneficial interest to the Foundation is measured at the present value of the estimated future cash flow to be received by the Foundation. The fair value of the property at December 31, 2004, which was determined by an independent appraisal performed in April 2005, was \$475,000. The fair value was discounted to the present value over the remaining estimated life of 20 years, at a discount rate of 6%, and reported as "Trust and wills" in the accompanying Statement of Activities and Change in Net Assets. The current year present value adjustment increased the value of the trust by \$11,219.

7. PENSION PLAN

The Foundation has established an independent 403(b) retirement plan (the Plan). The Plan is available to full-time and part-time employees who are at least 21 years old. The Foundation currently matches 100% of employee deferral contributions, up to 6% of eligible compensation. The Foundation contributed \$31,892 for the year ended December 31, 2011.

8. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

8. FAIR VALUE MEASUREMENTS (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011:

- *Common stocks and bonds*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Government securities*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds*—The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Common stocks	\$ 460,608	\$ -	\$ -	\$ 460,608
Mutual Funds-Equity	34,134	-	-	34,134
Mutual Funds-Growth	92,273	-	-	92,273
Corporate bonds	125,254	-	-	125,254
U.S. Treasury notes and government agency securities	623,991	-	-	623,991
Charitable Remainder Trust	<u>-</u>	<u>-</u>	<u>198,201</u>	<u>198,201</u>
TOTAL	\$ <u>1,336,260</u>	\$ <u>-</u>	\$ <u>198,201</u>	\$ <u>1,534,461</u>

Level 3 Financial Assets

The change in present value is recorded in temporarily restricted net assets and is associated with the charitable remainder trust, which is still held at December 31, 2011. The following table provides a summary of changes in fair value of the Foundation's financial assets for the year ended December 31, 2011:

	<u>Charitable Remainder Trust</u>
Balance as of January 1, 2011	\$ 186,982
Present value adjustment	<u>11,219</u>
BALANCE AS OF DECEMBER 31, 2011	\$ <u>198,201</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 21, 2012, the date the financial statements were issued.