

FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Aplastic Anemia & MDS International Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

June 21, 2016

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS		<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,460,357	\$ 1,207,562
Investments		3,861,406	3,784,609
Contributions and grants receivable		442,622	1,974,440
Inventory		-	2,648
Prepaid expenses		<u>225,649</u>	<u>112,129</u>
Total current assets		<u>5,990,034</u>	<u>7,081,388</u>
FIXED ASSETS			
Property and equipment		272,668	267,211
Less: Accumulated depreciation		<u>(235,566)</u>	<u>(176,205)</u>
Net fixed assets		<u>37,102</u>	<u>91,006</u>
OTHER ASSETS			
Security deposits		10,541	10,541
Charitable Remainder Trust		<u>250,224</u>	<u>236,060</u>
Total other assets		<u>260,765</u>	<u>246,601</u>
TOTAL ASSETS	\$	<u>6,287,901</u>	\$ <u>7,418,995</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	353,575	\$ 352,722
Accrued expenses		62,353	438,891
Grants payable		<u>1,144,187</u>	<u>521,471</u>
Total current liabilities		<u>1,560,115</u>	<u>1,313,084</u>
NET ASSETS			
Unrestricted:			
Undesignated		129,820	879,137
Board-designated		<u>272,912</u>	<u>67,912</u>
Total unrestricted		402,732	947,049
Temporarily restricted		<u>4,325,054</u>	<u>5,158,862</u>
Total net assets		<u>4,727,786</u>	<u>6,105,911</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>6,287,901</u>	\$ <u>7,418,995</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, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants:				
Individuals	\$ 471,518	\$ 242,129	\$ 713,647	\$ 741,472
Corporate and other	854,310	334,866	1,189,176	2,280,893
Foundations	514,415	2,777,500	3,291,915	3,290,400
Special events	16,315	-	16,315	48,538
Trust and wills	76,938	15,371	92,309	1,053,700
Investment (loss) income	(53,113)	-	(53,113)	278,591
Contributed materials	23,859	-	23,859	17,600
Royalty income	-	-	-	2,000
Conference and other revenue	33,365	-	33,365	46,029
Net assets released from donor restrictions	<u>4,203,674</u>	<u>(4,203,674)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,141,281</u>	<u>(833,808)</u>	<u>5,307,473</u>	<u>7,759,223</u>
EXPENSES				
Program Services	<u>5,925,293</u>	<u>-</u>	<u>5,925,293</u>	<u>6,638,681</u>
Supporting Services:				
General and Administrative	315,423	-	315,423	341,168
Fundraising	<u>444,882</u>	<u>-</u>	<u>444,882</u>	<u>608,500</u>
Total supporting services	<u>760,305</u>	<u>-</u>	<u>760,305</u>	<u>949,668</u>
Total expenses	<u>6,685,598</u>	<u>-</u>	<u>6,685,598</u>	<u>7,588,349</u>
Change in net assets	(544,317)	(833,808)	(1,378,125)	170,874
Net assets at beginning of year	<u>947,049</u>	<u>5,158,862</u>	<u>6,105,911</u>	<u>5,935,037</u>
NET ASSETS AT END OF YEAR	<u>\$ 402,732</u>	<u>\$ 4,325,054</u>	<u>\$ 4,727,786</u>	<u>\$ 6,105,911</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 940,103	\$ 185,111	\$ 170,690	\$ 1,295,904	\$ 1,418,549
Employee benefits	133,502	17,216	23,587	174,305	193,073
Payroll processing fee	2,421	311	428	3,160	2,874
Payroll taxes	79,523	10,255	14,050	103,828	95,498
Professional and contract services	565,312	32,508	51,715	649,535	914,360
Supplies	11,287	730	40,217	52,234	45,769
Equipment	43,362	704	961	45,027	45,257
Telephone	5,240	757	926	6,923	10,740
Information technology	102,441	12,952	26,173	141,566	145,722
Postage and shipping	64,922	2,386	34,636	101,944	130,502
Printing	77,120	1,716	28,776	107,612	225,161
Occupancy and related expense	110,667	14,469	19,552	144,688	143,480
Travel expenses	148,891	8,105	9,352	166,348	205,554
Meeting, food and beverage	362,694	11,025	1,930	375,649	412,814
Exhibitor expense	25,667	-	-	25,667	21,659
Dues and subscriptions	5,286	440	1,923	7,649	16,771
Professional development	4,307	5,630	1,538	11,475	118,127
Awards, grants and honoraria	517,250	510	797	518,557	407,569
CRC grant expense	2,631,099	-	-	2,631,099	2,908,758
Insurance	14,599	1,881	2,579	19,059	18,994
Bank service fees	34,134	2,855	7,019	44,008	44,546
Depreciation	45,466	5,862	8,033	59,361	62,572
TOTAL	\$ 5,925,293	\$ 315,423	\$ 444,882	\$ 6,685,598	\$ 7,588,349

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,378,125)	\$ 170,874
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	59,361	62,572
Unrealized losses on investments	310,843	79,000
Realized gains on investments	(92,414)	(183,010)
Donated investments	(4,273)	(64,122)
Change in value of Charitable Remainder Trust	(14,164)	(13,361)
(Increase) decrease in:		
Contributions and grants receivable	1,531,818	(1,071,273)
Inventory	2,648	1,060
Prepaid expenses	(113,520)	(82,067)
Increase (decrease) in:		
Accounts payable	853	258,332
Accrued expenses	(376,538)	139,694
Grants payable	<u>622,716</u>	<u>(835,221)</u>
Net cash provided (used) by operating activities	<u>549,205</u>	<u>(1,537,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales of investments	(290,953)	1,074,135
Purchase of property and equipment	<u>(5,457)</u>	<u>(14,920)</u>
Net cash (used) provided by investing activities	<u>(296,410)</u>	<u>1,059,215</u>
Net increase (decrease) in cash and cash equivalents	252,795	(478,307)
Cash and cash equivalents at beginning of year	<u>1,207,562</u>	<u>1,685,869</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,460,357</u>	<u>\$ 1,207,562</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2014, 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. Amounts in excess of FDIC limits were protected through additional insurance by the financial institution.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, fees and realized and unrealized gains and losses are included in investment (loss) 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 their 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. Accordingly, an allowance for doubtful accounts has not been established.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Contributed materials -

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

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 -

For the year ended December 31, 2015, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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 measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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, 2015:

	<u>Market Value</u>
U.S. Treasury notes and government agency securities	\$ 207,796
Corporate bonds	158,599
Common stock	1,166,005
Mutual funds	<u>2,329,006</u>
TOTAL INVESTMENTS	<u>\$ 3,861,406</u>

Included in investment loss are the following for the year ended December 31, 2015:

Interest, dividends and fees	\$ 165,316
Unrealized loss	(310,843)
Realized gain	<u>92,414</u>
TOTAL INVESTMENT LOSS	<u>\$ (53,113)</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Charitable Remainder Trust	\$ 250,224
Research	1,241,860
MDS Clinical Research Consortium	1,894,988
MDS Alliance	135,985
Health Professional Education Programs	175,000
Patient Educational Programs and Conferences	<u>626,997</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 4,325,054</u>

4. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, for the year ended December 31, 2015, by incurring expenses, which satisfied the restricted purposes specified by the donors:

Research	\$ 694,038
MDS Clinical Research Consortium	2,903,920
MDS Alliance	14,016
Patient Education Programs	391,700
Health Professional Education Programs	<u>200,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,203,674</u>

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. During 2014, the Foundation expanded its office space and signed extensions for all existing leases. All leases will expire on December 31, 2016.

Total rent expense was \$125,676 for the year ended December 31, 2015, and is included in occupancy and related expense in the Statement of Functional Expenses.

Future minimum payments are as follows:

Year Ending December 31, 2016	<u>\$ 124,361</u>
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6. CHARITABLE REMAINDER TRUST

The Foundation entered into an irrevocable life tenancy agreement in 2004 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 present value over an estimated life of 20 years, at a discount rate of 6%, and reported as "Trust and wills revenue" in the accompanying Statement of Activities and Change in Net Assets. The current year present value adjustment increased the value of the trust by \$14,164.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 \$56,183 for the year ended December 31, 2015.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, 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.

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. These are investments where 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, 2015:

- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Common stocks and bonds* - 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.
- *Charitable Remainder Trust* - Valued at the estimated present value of the appraised value of a life tenancy agreement.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
U.S. Treasury notes and government agency securities	\$ 207,796	\$ -	\$ -	\$ 207,796
Corporate bonds	158,599	-	-	158,599
Common stock	1,166,005	-	-	1,166,005
Mutual funds	2,329,006	-	-	2,329,006
Charitable Remainder Trust	-	-	250,224	250,224
TOTAL	<u>\$ 3,861,406</u>	<u>\$ -</u>	<u>\$ 250,224</u>	<u>\$ 4,111,630</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. FAIR VALUE MEASUREMENT (Continued)

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, 2015.

The following table provides a summary of changes in fair value of the Foundation's financial assets for the year ended December 31, 2015:

	<u>Charitable Remainder Trust</u>
Balance as of December 31, 2014	\$ 236,060
Present value adjustment	<u>14,164</u>
BALANCE AS OF DECEMBER 31, 2015	<u>\$ 250,224</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 21, 2016, the date the financial statements were issued.