

FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aplastic Anemia & MDS International Foundation, Inc.
Bethesda, 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, 2017, 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, 2017, 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.

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

July 27, 2018

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 829,228	\$ 1,581,413
Investments	3,438,609	2,680,166
Contributions and grants receivable	1,146,623	652,890
Prepaid expenses	<u>87,086</u>	<u>310,711</u>
Total current assets	<u>5,501,546</u>	<u>5,225,180</u>
FIXED ASSETS		
Property and equipment	386,951	360,519
Less: Accumulated depreciation	<u>(276,680)</u>	<u>(238,078)</u>
Net fixed assets	<u>110,271</u>	<u>122,441</u>
NONCURRENT ASSETS		
Security deposits	15,232	25,783
Charitable Remainder Trust	<u>281,152</u>	<u>265,238</u>
Total noncurrent assets	<u>296,384</u>	<u>291,021</u>
TOTAL ASSETS	<u>\$ 5,908,201</u>	<u>\$ 5,638,642</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 90,470	\$ 72,859
Accrued expenses	380,578	291,374
Current portion of deferred rent abatement	5,051	-
Grants payable	<u>1,745,994</u>	<u>748,620</u>
Total current liabilities	2,222,093	1,112,853
LONG-TERM LIABILITIES		
Deferred rent	<u>107,147</u>	<u>42,939</u>
Total liabilities	<u>2,329,240</u>	<u>1,155,792</u>
NET ASSETS		
Unrestricted:		
Undesignated (deficit)	(249,409)	211,137
Board-designated	<u>200,079</u>	<u>242,912</u>
Total unrestricted (deficit)	(49,330)	454,049
Temporarily restricted	<u>3,628,291</u>	<u>4,028,801</u>
Total net assets	<u>3,578,961</u>	<u>4,482,850</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,908,201</u>	<u>\$ 5,638,642</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, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions and grants:				
Individuals	\$ 971,412	\$ 112,376	\$ 1,083,788	\$ 597,275
Corporate and other	246,514	2,271,743	2,518,257	2,277,756
Foundations	18,300	1,641,892	1,660,192	3,241,298
Special events	23,850	10,155	34,005	8,920
Trust and wills	51,460	15,914	67,374	189,628
Investment income	232,717	-	232,717	207,696
Contributed materials and services	2,608	-	2,608	68,971
Conference and other revenue	31,135	-	31,135	62,389
Net assets released from donor restrictions	<u>4,452,590</u>	<u>(4,452,590)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,030,586</u>	<u>(400,510)</u>	<u>5,630,076</u>	<u>6,653,933</u>
EXPENSES				
Program Services	<u>5,696,940</u>	<u>-</u>	<u>5,696,940</u>	<u>6,216,903</u>
Supporting Services:				
General and Administrative	219,527	-	219,527	236,606
Fundraising	<u>617,498</u>	<u>-</u>	<u>617,498</u>	<u>445,360</u>
Total supporting services	<u>837,025</u>	<u>-</u>	<u>837,025</u>	<u>681,966</u>
Total expenses	<u>6,533,965</u>	<u>-</u>	<u>6,533,965</u>	<u>6,898,869</u>
Change in net assets	(503,379)	(400,510)	(903,889)	(244,936)
Net assets at beginning of year	<u>454,049</u>	<u>4,028,801</u>	<u>4,482,850</u>	<u>4,727,786</u>
NET ASSETS AT END OF YEAR	<u>\$ (49,330)</u>	<u>\$ 3,628,291</u>	<u>\$ 3,578,961</u>	<u>\$ 4,482,850</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries, benefits and payroll taxes	\$ 1,361,025	\$ 143,725	\$ 399,636	\$ 1,904,386	\$ 1,752,789
Professional and contract services	692,244	21,827	41,159	755,230	743,382
Office expenses	185,780	3,944	98,979	288,703	310,557
Information technology	114,760	16,459	12,560	143,779	160,567
Occupancy and related expenses	145,265	21,804	15,745	182,814	214,617
Travel and meetings	539,896	1,287	37,520	578,703	661,949
Professional development	5,685	458	2,738	8,881	13,057
Awards, grants and honoraria	475,771	-	863	476,634	664,868
CRC grant expense	2,108,241	-	-	2,108,241	2,268,340
Insurance	13,940	2,092	1,511	17,543	18,640
Bank service fees	23,660	3,327	3,462	30,449	44,747
Depreciation	30,673	4,604	3,325	38,602	45,356
TOTAL	\$ 5,696,940	\$ 219,527	\$ 617,498	\$ 6,533,965	\$ 6,898,869

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (903,889)	\$ (244,936)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	38,602	45,356
Unrealized gain on investments	(124,645)	(136,160)
Realized (gain) loss on investments	(50,076)	11,081
Donated investments	(261,319)	-
Donated property and equipment	-	(26,640)
Change in value of Charitable Remainder Trust	(15,914)	(15,014)
(Increase) decrease in:		
Contributions and grants receivable	(493,733)	(210,268)
Prepaid expenses	223,625	(85,063)
Security deposits	10,551	(15,242)
Increase (decrease) in:		
Accounts payable	17,611	(280,715)
Accrued expenses	89,204	229,021
Grants payable	997,374	(395,567)
Deferred rent	<u>69,259</u>	<u>42,939</u>
Net cash used by operating activities	<u>(403,350)</u>	<u>(1,081,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales of investments	(322,403)	1,306,319
Purchase of property and equipment	<u>(26,432)</u>	<u>(104,055)</u>
Net cash (used) provided by investing activities	<u>(348,835)</u>	<u>1,202,264</u>
Net (decrease) increase in cash and cash equivalents	(752,185)	121,056
Cash and cash equivalents at beginning of year	<u>1,581,413</u>	<u>1,460,357</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 829,228</u>	<u>\$ 1,581,413</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 Bethesda, 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, 2016, 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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporate (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances at financial institutions in excess of the FDIC insurance 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 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, 2017

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

Contributed materials and services -

Contributed materials and services include t-shirts, hats, office supplies, and presentation services, 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, 2017, 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, 2017**

**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.

New accounting pronouncements (not yet adopted) -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of the Foundation's financial statements, it is not expected to alter the Foundation's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following at December 31, 2017:

	<u>Market Value</u>
U.S. Treasury notes and government agency securities	\$ 172,993
Corporate bonds	156,667
Common stocks	592,604
Mutual funds	<u>2,516,345</u>
TOTAL INVESTMENTS	<u>\$ 3,438,609</u>

Included in investment income are the following for the year ended December 31, 2017:

Interest, dividends and fees	\$ 57,996
Unrealized gain	124,645
Realized gain	<u>50,076</u>
TOTAL INVESTMENT INCOME	<u>\$ 232,717</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Charitable Remainder Trust	\$ 281,152
Research	577,425
MDS Clinical Research Consortium	1,796,610
MDS Alliance	198,279
Health Professional Education Programs	123,000
Patient Educational Programs and Conferences	591,825
Awareness	<u>60,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 3,628,291</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, for the year ended December 31, 2017, by incurring expenses, which satisfied the restricted purposes specified by the donors:

Research	\$ 356,323
MDS Clinical Research Consortium	2,323,040
MDS Alliance	61,300
Awareness	175,000
Health Professional Education Programs	534,320
Patient Educational Programs and Conferences	<u>1,002,607</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,452,590</u>

5. LEASE COMMITMENT

The Foundation entered into a new ninety-two month office space lease agreement beginning in October 2016. Base rent is \$175,707 per year, plus a proportionate share of expenses. Beginning with the third year of the lease, base rent shall increase by a factor of 2.5% each year. Under the terms of the lease, the landlord will grant the Foundation an abatement of base rent and its share of expenses for the first eight months after the commencement date.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. Future minimum payments are as follows:

Year Ending December 31,

2018	\$ 176,806
2019	181,226
2020	185,756
2021	190,400
2022	195,160
Thereafter	<u>284,942</u>
	<u>\$ 1,214,290</u>

Total rent expense was \$176,376 for the year ended December 31, 2017, and is included in occupancy and related expense in the Statement of Functional Expenses. The deferred rent liability was \$112,198.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. CHARITABLE REMAINDER TRUST (Continued)

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 \$15,914.

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 \$74,964 for the year ended December 31, 2017.

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, 2017:

- *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* - Valued at the daily closing price as reported by the fund. Mutual funds held by Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price.
- *Charitable Remainder Trust* - Valued at the estimated present value of the appraised value of a life tenancy agreement.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2017:

	<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	\$ 172,993	\$ -	\$ -	\$ 172,993
Corporate bonds	156,667	-	-	156,667
Common stocks	592,604	-	-	592,604
Mutual funds	2,516,345	-	-	2,516,345
Charitable Remainder Trust	<u>-</u>	<u>-</u>	<u>281,152</u>	<u>281,152</u>
TOTAL	<u>\$ 3,438,609</u>	<u>\$ -</u>	<u>\$ 281,152</u>	<u>\$ 3,719,761</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, 2017.

The following table provides a summary of changes in fair value of the Foundation's financial assets for the year ended December 31, 2017:

	<u>Charitable Remainder Trust</u>
Balance as of December 30, 2016	\$ 265,238
Present value adjustment	<u>15,914</u>
BALANCE AS OF DECEMBER 31, 2017	<u>\$ 281,152</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 27, 2018, the date the financial statements were issued.