

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

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CPAs & ADVISORS

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 22, 2020

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,220,150	\$ 1,055,155
Investments	965,146	1,704,721
Contributions and grants receivable	235,711	94,489
Prepaid expenses	<u>35,747</u>	<u>40,352</u>
Total current assets	<u>2,456,754</u>	<u>2,894,717</u>
FIXED ASSETS		
Property and equipment	443,816	421,864
Less: Accumulated depreciation	<u>(363,992)</u>	<u>(317,699)</u>
Net fixed assets	<u>79,824</u>	<u>104,165</u>
NONCURRENT ASSETS		
Security deposits	15,022	15,232
Charitable Remainder Trust	<u>315,902</u>	<u>298,021</u>
Total noncurrent assets	<u>330,924</u>	<u>313,253</u>
TOTAL ASSETS	<u>\$ 2,867,502</u>	<u>\$ 3,312,135</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 26,999	\$ 93,609
Accrued expenses	274,590	504,697
Current portion of deferred rent abatement	61,643	9,471
Grants payable	<u>536,624</u>	<u>698,962</u>
Total current liabilities	899,856	1,306,739
LONG-TERM LIABILITIES		
Deferred rent	<u>104,133</u>	<u>97,676</u>
Total liabilities	<u>1,003,989</u>	<u>1,404,415</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	697,014	(474,381)
Board designated	<u>160,000</u>	<u>157,794</u>
Total without donor restrictions	857,014	(316,587)
With donor restrictions	<u>1,006,499</u>	<u>2,224,307</u>
Total net assets	<u>1,863,513</u>	<u>1,907,720</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,867,502</u>	<u>\$ 3,312,135</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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants:				
Individuals	\$ 543,654	\$ 144,632	\$ 688,286	\$ 1,185,051
Corporate and other	144,728	1,795,531	1,940,259	1,497,545
Foundations	66,000	2,500	68,500	130,245
Events	35,179	2,509	37,688	33,693
Trust and wills	54,046	17,881	71,927	98,331
Investment income (loss)	183,349	12,189	195,538	(14,442)
Contributed materials and services	195	4,100	4,295	10,375
Conference and other revenue	-	-	-	49,787
Stock contributions	37,154	-	37,154	-
Net assets released from donor restrictions	<u>3,197,150</u>	<u>(3,197,150)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,261,455</u>	<u>(1,217,808)</u>	<u>3,043,647</u>	<u>2,990,585</u>
EXPENSES				
Program Services	<u>2,507,980</u>	<u>-</u>	<u>2,507,980</u>	<u>3,885,773</u>
Supporting Services:				
General and Administrative	302,805	-	302,805	197,448
Fundraising	<u>277,069</u>	<u>-</u>	<u>277,069</u>	<u>578,605</u>
Total supporting services	<u>579,874</u>	<u>-</u>	<u>579,874</u>	<u>776,053</u>
Total expenses	<u>3,087,854</u>	<u>-</u>	<u>3,087,854</u>	<u>4,661,826</u>
Change in net assets	1,173,601	(1,217,808)	(44,207)	(1,671,241)
Net assets at beginning of year	<u>(316,587)</u>	<u>2,224,307</u>	<u>1,907,720</u>	<u>3,578,961</u>
NET ASSETS AT END OF YEAR	<u>\$ 857,014</u>	<u>\$ 1,006,499</u>	<u>\$ 1,863,513</u>	<u>\$ 1,907,720</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019				2018	
	Program Services	Supporting Services		Total Supporting Services	Total Expenses	Total Expenses
		General and Administrative	Fundraising			
Salaries, benefits and payroll taxes	\$ 583,744	\$ 156,274	\$ 152,246	\$ 308,520	\$ 892,264	\$ 1,501,926
Professional and contract services	230,844	44,843	40,799	85,642	316,486	625,890
Office expenses	51,169	8,315	37,806	46,121	97,290	282,930
Information technology	79,241	26,579	8,305	34,884	114,125	120,277
Occupancy and related expenses	131,496	47,285	14,527	61,812	193,308	190,256
Travel and meetings	367,720	1,578	16,149	17,727	385,447	591,357
Professional development	495	140	43	183	678	3,290
Awards, grants and honoraria	206,462	-	1,728	1,728	208,190	483,888
CRC grant expense	802,619	-	-	-	802,619	781,962
Insurance	13,095	4,709	1,447	6,156	19,251	17,135
Bank service fees	8,097	2,912	894	3,806	11,903	21,896
Depreciation	32,998	10,170	3,125	13,295	46,293	41,019
TOTAL	\$ 2,507,980	\$ 302,805	\$ 277,069	\$ 579,874	\$ 3,087,854	\$ 4,661,826

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (44,207)	\$ (1,671,241)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	46,293	41,019
Unrealized (gain) loss on investments	(135,058)	119,442
Realized gain on investments	(24,443)	(55,534)
Donated investments	(37,154)	(4,641)
Change in value of Charitable Remainder Trust	(17,881)	(16,869)
(Increase) decrease in:		
Contributions and grants receivable	(141,222)	1,052,134
Prepaid expenses	4,605	46,734
Security deposits	210	-
(Decrease) increase in:		
Accounts payable	(66,610)	3,139
Accrued expenses	(230,107)	124,119
Grants payable	(162,338)	(1,047,032)
Deferred rent	<u>58,629</u>	<u>(5,051)</u>
Net cash used by operating activities	<u>(749,283)</u>	<u>(1,413,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of investments	936,230	1,674,621
Purchase of property and equipment	<u>(21,952)</u>	<u>(34,913)</u>
Net cash provided by investing activities	<u>914,278</u>	<u>1,639,708</u>
Net increase in cash and cash equivalents	164,995	225,927
Cash and cash equivalents at beginning of year	<u>1,055,155</u>	<u>829,228</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,220,150</u>	<u>\$ 1,055,155</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, the Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

New accounting pronouncements (continued) -

Also during 2019, the Foundation adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. The Foundation adopted the ASU using a modified prospective basis.

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 Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), net of investment expenses provided by external investment advisors, in the accompanying 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. Depreciation expense for the year ended December 31, 2019 totaled \$46,293.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Income taxes (continued) -

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, 2019, 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.

Contributions and grants -

The majority of the Foundation's revenue is received through contributions and grants with other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant agreements classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

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) -

FASB issued ASU 2019-01, *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 non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Foundation plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at December 31, 2019:

	<u>Market Value</u>
U.S. Treasury notes and Government agency securities	\$ 125,982
Corporate bonds	136,866
Common stocks	567,334
Mutual funds	<u>134,964</u>
TOTAL INVESTMENTS	<u>\$ 965,146</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. INVESTMENTS (Continued)

Included in investment income are the following for the year ended December 31, 2019:

Interest and dividends	\$ 47,262
Unrealized gain	135,058
Realized gain	24,443
Management fees	<u>(11,225)</u>
TOTAL INVESTMENT INCOME, NET	\$ <u>195,538</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

Charitable Remainder Trust	\$ 315,902
Research	459,547
Health Professional Education Programs	12,550
Patient Educational Programs and Conferences	216,500
Awareness	<u>2,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>1,006,499</u>

The following net assets with donor restrictions were released from donor restrictions, for the year ended December 31, 2019, by incurring expenses, which satisfied the restricted purposes specified by the donors:

Research	\$ 221,281
MDS Clinical Research Consortium	1,091,450
Awareness	244,500
Health Professional Education Programs	484,724
Patient Educational Programs and Conferences	<u>1,155,195</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>3,197,150</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Statement of Financial Position were comprised of the following at December 31, 2019:

Cash and cash equivalents	\$ 1,220,150
Investments	965,146
Contributions and grants receivable	<u>235,711</u>
Total financial assets	2,421,007
Less: Financial assets unavailable for expenditure within one year due to:	
Board designated net assets	<u>(160,000)</u>
FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE WITHIN ONE YEAR	\$ <u>2,261,007</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation has a policy to structure their financial assets to be available and liquid as their obligations become due.

The Foundation has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Additionally, they have a Board designated reserve which they may draw upon, pending Board approval.

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.

An amendment to the lease was entered into effective April 3, 2019. The Foundation requested the landlord for a partial deferral of the base rent obligations under the lease under terms and conditions set forth in the amendment. The landlord agreed that the Foundation is permitted to defer up to 50% of base rents due under the lease during the period of April 1, 2019 through December 31, 2019 or the deferral period termination date. The landlord is entitled to terminate the deferral period immediately upon written notice if the Foundation fails to pay any rent required.

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,

2020	\$	234,551
2021		214,797
2022		195,160
2023		200,039
2024		<u>84,903</u>
	\$	<u>929,450</u>

Total rent expense was \$171,755 for the year ended December 31, 2019, and is included in occupancy and related expenses in the Statement of Functional Expenses. The deferred rent liability was \$165,776.

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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. CHARITABLE REMAINDER TRUST (Continued)

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 \$17,881.

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 \$30,360 for the year ended December 31, 2019. Retirement expense is included in salaries, benefits and payroll taxes in the accompanying Statement of Functional Expenses.

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, 2019:

- *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.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. FAIR VALUE MEASUREMENT (Continued)

- *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.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2019:

	<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	\$ 125,982	\$ -	\$ -	\$ 125,982
Corporate bonds	136,866	-	-	136,866
Common stocks	567,334	-	-	567,334
Mutual funds	134,964	-	-	134,964
Charitable Remainder Trust	<u>-</u>	<u>-</u>	<u>315,902</u>	<u>315,902</u>
TOTAL	<u>\$ 965,146</u>	<u>\$ -</u>	<u>\$ 315,902</u>	<u>\$ 1,281,048</u>

Level 3 Financial Assets

The change in present value is recorded in net assets with donor restrictions and is associated with the Charitable Remainder Trust, which is still held at December 31, 2019.

The following table provides a summary of changes in fair value of the Foundation's financial assets for the year ended December 31, 2019:

	<u>Charitable Remainder Trust</u>
Balance as of December 31, 2018	\$ 298,021
Present value adjustment	<u>17,881</u>
BALANCE AS OF DECEMBER 31, 2019	<u>\$ 315,902</u>

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. 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 May 22, 2020, the date the financial statements were issued.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. SUBSEQUENT EVENTS (Continued)

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. While the global financial markets have declined and the investment portfolio of the Foundation has a fair value of approximately \$581,804 as of the date of the audit report, the decrease in value is primarily attributable to the liquidation of investments and withdrawal of funds valued at \$408,500 used for the payment of research grants in March 2020. Other potential financial or operational impacts from COVID-19 are unknown at this time.