NATIONAL MARROW DONOR PROGRAM
AND SUBSIDIARIES

Minneapolis, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Marrow Donor Program and Subsidiaries
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Marrow Donor Program and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information listed in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
January 15, 2019

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2018 and 2017
(in thousands)

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 47,982	$ 3,143	$ 104	$ 51,229	$ 74,454	$ 1,711	$ -	$ 76,165
Short-term investments (Note 4)	19,320	-	-	19,320	18,000	-	-	18,000
Receivables:								
Transplant center and other receivables - net of allowance of $170 and $250 in 2018 and 2017, respectively	46,976	-	-	46,976	46,148	-	-	46,148
Contract receivables	13,066	-	-	13,066	5,402	-	-	5,402
Pledges receivable (Note 2)	351	1,405	20	1,776	199	355	-	554
Prepaid expenses and other	7,148	-	-	7,148	5,649	-	-	5,649
Total Current Assets	134,843	4,548	124	139,515	149,852	2,066	-	151,918
LONG-TERM INVESTMENTS (Note 4)	114,091	-	-	114,091	104,171	-	-	104,171
PROPERTY AND EQUIPMENT (Note 3)	101,162	-	-	101,162	107,161	-	-	107,161
DEFERRED COMPENSATION FUNDS (Note 8)	4,167	-	-	4,167	3,694	-	-	3,694
LONG-TERM PLEDGES RECEIVABLE (Note 2)	284	994	580	1,858	35	1,112	-	1,147
OTHER ASSETS	2,997	1,280	-	4,277	2,790	1,214	-	4,004
TOTAL ASSETS	$ 357,544	$ 6,822	$ 704	$ 365,070	$ 367,703	$ 4,392	$ -	$ 372,095
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	$ 31,336	$ -	$ -	$ 31,336	$ 28,165	$ -	$ -	$ 28,165
Accrued expenses	21,558	-	-	21,558	19,436	-	-	19,436
Accrued compensation and benefits	17,262	-	-	17,262	14,230	-	-	14,230
Current maturities of long-term debt (Note 5)	70	-	-	70	6,070	-	-	6,070
Current maturities of long-term capital lease (Note 5)	2,841	-	-	2,841	2,587	-	-	2,587
Refundable advances and deferred revenue (Note 2)	7,163	-	-	7,163	11,761	-	-	11,761
Total Current Liabilities	80,230	-	-	80,230	82,249	-	-	82,249
DEFERRED COMPENSATION PAYABLE (Note 8)	4,087	-	-	4,087	3,694	-	-	3,694
LONG-TERM DEBT (Note 5)	385	-	-	385	12,756	-	-	12,756
LONG-TERM CAPITAL LEASE (Note 5)	50,742	-	-	50,742	53,411	-	-	53,411
TOTAL LIABILITIES	135,444	-	-	135,444	152,110	-	-	152,110
NET ASSETS	222,100	6,822	704	229,626	215,593	4,392	-	219,985
TOTAL LIABILITIES AND NET ASSETS	$ 357,544	$ 6,822	$ 704	$ 365,070	$ 367,703	$ 4,392	$ -	$ 372,095

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Years Ended September 30, 2018 and 2017
(in thousands)

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND GAINS:								
Search and procurement fees	$ 348,146	$ -	$ -	$ 348,146	$ 334,762	$ -	$ -	$ 334,762
Federal contracts and cooperative agreements	43,909	-	-	43,909	42,113	-	-	42,113
Contributions	21,259	3,229	704	25,192	13,711	2,256	-	15,967
Other	343	-	-	343	487	-	-	487
Net assets released from restrictions	876	(876)	-	-	2,201	(2,201)	-	-
Total Revenues and Gains	414,533	2,353	704	417,590	393,274	55	-	393,329
EXPENSES:								
Program services	345,463	-	-	345,463	310,499	-	-	310,499
Management and general	67,137	-	-	67,137	59,111	-	-	59,111
Fundraising	1,747	-	-	1,747	1,772	-	-	1,772
Total Expenses	414,347	-	-	414,347	371,382	-	-	371,382
EXCESS OF REVENUES AND GAINS OVER EXPENSES	186	2,353	704	3,243	21,892	55	-	21,947
OTHER INCOME (EXPENSES) AND OTHER CHANGES								
Loss on disposal of asset	(1)	-	-	(1)	(206)	-	-	(206)
Investment income	4,606	-	-	4,606	2,479	-	-	2,479
Change in unrealized appreciation on investments	1,716	77	-	1,793	5,863	152	-	6,015
Total Other Income (Expenses) and Other Changes	6,321	77	-	6,398	8,136	152	-	8,288
INCREASE IN NET ASSETS	6,507	2,430	704	9,641	30,028	207	-	30,235
Net Assets - Beginning of Year	215,593	4,392	-	219,985	185,565	4,185	-	189,750
NET ASSETS - End of Year	$ 222,100	$ 6,822	$ 704	$ 229,626	$ 215,593	$ 4,392	$ -	$ 219,985

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018
(in thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$ 180,767	$ -	$ -	$ -	$ 180,767	$ -	$ -	$ -	$ 180,767
Donor recruitment services	-	21,201	-	-	21,201	-	654	654	21,855
Compensation	31,081	9,438	13,269	6,980	60,768	25,499	142	25,641	86,409
Benefits	6,572	1,989	2,986	1,408	12,955	5,955	785	6,740	19,695
Professional fees	10,339	10,212	11,221	3,990	35,762	8,726	9	8,735	44,497
Travel	1,254	903	862	875	3,894	1,172	17	1,189	5,083
Professional development	285	106	128	91	610	379	32	411	1,021
Occupancy	196	112	58	85	451	4,653	-	4,653	5,104
Telecommunications	362	53	103	-	518	543	62	605	1,123
Information processing	3,667	568	1,146	5	5,386	5,274	30	5,304	10,690
Printing and copying	167	306	58	353	884	194	9	203	1,087
Postage and shipping	128	144	48	122	442	76	-	76	518
Depreciation	4,129	2,284	1,705	1,636	9,754	10,441	-	10,441	20,195
Interest expense	-	-	-	-	-	2,649	7	2,656	2,656
Office and miscellaneous	200	104	3	219	526	1,576	-	1,576	2,102
Research activities	-	-	11,545	-	11,545	-	-	-	11,545
Total Expenses	$ 239,147	$ 47,420	$ 43,132	$ 15,764	$ 345,463	$ 67,137	$ 1,747	$ 68,884	$ 414,347

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017
(in thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$ 174,495	$ -	$ -	$ -	$ 174,495	$ -	$ -	$ -	$ 174,495
Donor recruitment services	-	19,642	-	-	19,642	-	-	-	19,642
Compensation	27,827	7,520	11,113	5,570	52,030	21,782	610	22,392	74,422
Benefits	6,821	1,782	2,821	1,354	12,778	5,725	149	5,874	18,652
Professional fees	6,158	7,105	7,461	1,839	22,563	5,579	857	6,436	28,999
Travel	1,067	646	858	683	3,254	979	34	1,013	4,267
Professional development	257	82	111	61	511	448	5	453	964
Occupancy	232	179	68	81	560	4,955	38	4,993	5,553
Telecommunications	392	58	112	-	562	568	-	568	1,130
Information processing	2,917	418	913	4	4,252	4,109	38	4,147	8,399
Printing and copying	134	268	47	177	626	168	27	195	821
Postage and shipping	158	158	40	103	459	73	12	85	544
Depreciation	3,865	2,163	1,604	1,556	9,188	10,583	-	10,583	19,771
Interest expense	-	-	-	-	-	2,932	-	2,932	2,932
Office and miscellaneous	317	74	53	169	613	1,210	2	1,212	1,825
Research activities	-	-	8,966	-	8,966	-	-	-	8,966
Total Expenses	$ 224,640	$ 40,095	$ 34,167	$ 11,597	$ 310,499	$ 59,111	$ 1,772	$ 60,883	$ 371,382

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017
(in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 9,641	$ 30,235
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization/accretion	20,203	19,780
Loss on disposal of asset	1	206
Net realized and unrealized appreciation of investments	(3,686)	(6,148)
Changes in other operating activities:		
Receivables	(10,425)	2,857
Prepaid expenses and other assets	(1,706)	(1,560)
Accounts payable	3,957	1,354
Accrued expenses and compensation and benefits	5,154	1,267
Refundable advances and deferred revenue	(4,598)	4,796
Deferred compensation payable	393	561
Net cash provided by operating activities	18,934	53,348
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(34,342)	(7,754)
Sales/maturities of investments	26,722	2,125
Purchase of property, computer software and equipment	(14,983)	(13,302)
Net purchases of deferred compensation funds	(473)	(564)
Net cash used in investing activities	(23,076)	(19,495)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(18,379)	(5,966)
Principal payments on long-term capital lease	(2,415)	(2,377)
Net cash used in financing activities	(20,794)	(8,343)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,936)	25,510
CASH AND CASH EQUIVALENTS - Beginning of Year	76,165	50,655
CASH AND CASH EQUIVALENTS - End of Year	$ 51,229	$ 76,165
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 2,847	$ 3,030
Noncash investing and financing activities:		
Purchase of property and equipment funded through accounts payable and accrued expenses	$ 581	$ 1,367
Property and equipment acquired through capital lease	$ 188	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND PROGRAM DESCRIPTIONS

The National Marrow Donor Program® (the "Program" or NMDP) is the global leader in providing marrow and umbilical cord blood transplants to patients with life-threatening blood cancers like leukemia and lymphoma or other diseases. The Program matches patients with donors, educates health care professionals and conducts research so more lives can be saved. NMDP also operates Be The Match®, which provides support for patients and enlists others in the community to join the Be The Match Registry® — the world's largest listing of potential marrow donors and donated cord blood units. For more information, visit bethematch.org.

Be The Match Foundation® (the "Foundation" or BTMF) raises funds to help provide marrow and umbilical cord blood transplants to patients with life-threatening blood cancers like leukemia and lymphoma or other diseases. With the public's help, the Foundation gives patients a reason to hope and the power to heal. Foundation funds deliver tangible relief to patient families struggling with uninsured transplant costs, help add more potential marrow donors to the Be The Match Registry® and support new research discoveries. Be The Match Foundation® is operated by NMDP.

CLR Insurance, Ltd (CLR) is an exempted company operating subject to the Companies Law (Revised) of the Cayman Islands. CLR is licensed to carry on business in the Cayman Islands as a Class B(i) Insurer. It presently issues certain insurance to NMDP in support of NMDP's nonprofit mission.

Be The Match BioTherapies, LLC (BTMB) is a wholly owned subsidiary of NMDP focused on collaborating with organizations in pursuit of new life-saving treatments in cellular therapy. Through this work, BTMB helps more patients survive life-threatening medical conditions and diseases, including those who face complications following transplant.

Be The Match BioTherapies Services, LLC (BTMBTS) is a wholly owned for-profit subsidiary of NMDP with a similar focus as BTMB.

Be the Match Mexico (BTMM), is a wholly owned subsidiary of NMDP and BTMF, created as a civil association in Mexico, and is focused on diversifying the Be the Match Registry®, fundraising and bringing more awareness to our cause. This civil association was incorporated on October 31, 2017.

The consolidated financial statements include the accounts of the NMDP, BTMF, CLR, BTMB, BTMBTS and BTMM (collectively, the "Organization"), after elimination of intercompany accounts and transactions, in as much as the NMDP is the sole corporate member of BTMF, BTMB, BTMBTS and BTMM, and the sole shareholder of CLR, as set forth in each entity's applicable governance documents.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents - Investments acquired with original maturities of three months or less at the time of purchase and that are readily convertible to cash are reported as cash equivalents and are carried at cost, which approximates fair value. The Organization maintains its operating cash balances with high credit quality financial institutions. At times, the amounts on deposit may exceed the Federal Deposit Insurance Corporation limit. The majority of the Organization's cash and cash equivalents are on deposit with a single bank. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

(IN THOUSANDS)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income – Short-term investments consist of investments acquired with original maturities of greater than three months that mature within the next 12 months. Short-term investments are stated at cost, which approximates fair value. Long-term investments consist of investments that are not intended to be liquidated over the next 12 months. Long-term investments in marketable securities are stated at fair value, as determined by quoted market prices. Long-term investments in other securities are recorded based on the cost method. The NMDP evaluates investments recorded for other than temporary impairments each reporting period and will adjust the carrying value of the investment if necessary. To date, no such losses have occurred. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Unrealized gains or losses result from changes in the fair value of investments.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 consolidated financial statements.

Pledges Receivable - Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give are recorded at fair value when the condition is met. All pledges are recorded at the estimated amount to be ultimately realized. As of September 30, 2018 and 2017, there was no allowance for uncollectible pledges recorded.

During the years ended September 30, 2018 and 2017, contributions and pledges received from related parties (members of the Board of Directors) totaled $294 and $704, respectively. Pledges receivable as of September 30, 2018 and 2017 from members of the Board of Directors were $761 and $962, respectively.

As of September 30, 2018 and 2017, the expected future cash receipts of pledges receivable are as follows:

	2018	2017
Pledges due - Less than one year	$ 1,776	$ 554
Pledges due - More than one year	1,858	1,147
Total Pledges	$ 3,634	$ 1,701

Other Assets - Fund Held by Others - BTMF has temporarily restricted funds (the "Fund") invested at the Minneapolis Foundation. Under the terms of the agreement establishing the Fund, BTMF will receive income distributions from the Fund. In addition, BTMF may request distributions from the principal of the Fund. The Fund is managed at the discretion of the Minneapolis Foundation, except that BTMF may make recommendations regarding the selection of investment options for the Fund. The Fund is recorded as temporarily restricted other assets on the consolidated statements of financial position. The Fund held by the Minneapolis Foundation was valued at $1,280 and $1,214 as of September 30, 2018 and 2017, respectively.

Property and Equipment - The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of up to 10 years. The leased building is amortized using the straight-line method over the shorter of the useful life of the building or the term of the lease, which is 15 years.

Capitalized Software Costs - The Organization capitalizes software development costs incurred in upgrading and developing computer software and begins capitalization of these costs after technological feasibility has been determined. The capitalized software for internal use, once placed in service, is amortized on the straight-line method over the useful life, which ranges from two to ten years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt Premiums and Discounts - Premiums and discounts associated with the Organization's long-term debt are deferred and amortized/accreted over the related terms using the straight-line method, which approximates the effective interest method. Accumulated accretion of discounts was $28 and $36 at September 30, 2018 and 2017, respectively.

Accrued Medical Liabilities - The Organization procures medical services from third-party health practitioners and clinics and pays for these services based on the Organization's rate schedule or contractual agreements, where applicable. The liability for unpaid medical services also includes an estimate for services incurred but not yet reported to the Organization and for services received that did not include all the necessary billing information. The methods and assumptions used for estimating these amounts are continually reviewed and adjusted as more current information is received on which to base its assumptions, and adjustments to prior estimates are charged to operations in the year in which the adjustment is made as a change in estimate. The Organization's estimated liability for unpaid medical services totaled approximately $30,000 as of September 30, 2018 and 2017. Actual results could differ from these estimates.

Approximately $15,000 and $15,000 of the liability for unpaid medical services is included in accounts payable and accrued expenses, respectively, in the consolidated statement of financial position as of September 30, 2018. Approximately $14,000 and $16,000 of the liability for unpaid medical services is included in accounts payable and accrued expenses, respectively, in the consolidated statement of financial position as of September 30, 2017.

Net Assets - Net assets, revenues and gains, and expenses are classified based on the existence or absence of contributor-imposed restrictions. Net assets that are not subject to contributor-imposed stipulations are classified as unrestricted net assets, while net assets subject to contributor-imposed stipulations that will be met by actions taken by the Organization or the passage of time are classified as temporarily restricted net assets. When a contributor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted net assets whose contributor restriction expires in the same year as funds are received are classified as unrestricted net assets in the consolidated statements of activities. Permanently restricted net assets are those net assets subject to contributor-imposed restrictions, which require that the funds be maintained by the Organization in perpetuity. In the absence of contributor specifications that income and gains on contributed funds be restricted, such income and gains are reported as income from unrestricted net assets.

Revenue Recognition - Search and procurement fees revenue is recognized as services are performed and charged to transplant centers. Contributions of unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give are recorded at fair value when the condition is met. Direct mail, fundraising event, and other revenues are recorded at fair value when the contributions are received. Federal contracts and cooperative agreements revenues awarded under the Health Resources and Service Administration (HRSA) and National Institute of Health (NIH) contracts are recognized as revenue as qualified expenses are incurred and billed to HRSA and NIH. Amounts under the Navy cooperative agreements generally are received in advance of spending and are reflected as refundable advances in the consolidated statements of financial position until the related qualified expenses are incurred, at which time federal contracts and cooperative agreements revenues are recognized.

Donated Services and Materials - Donated services are recognized as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities,* if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills and are performed by people with those skills and (c) would otherwise be purchased by the organization. A substantial number of volunteers have donated significant time to the Organization. However, no amounts related to these services have been reflected in the consolidated financial statements since the recognition criteria was not met. Donors are not reimbursed for donation of their stem cells, and therefore, no amounts relative to stem cell donations have been reflected in the consolidated financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses - The cost of providing the Organization's various programs, including medical services, recruitment, research, public awareness and supporting services has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. Fundraising activities include conducting activities involved with soliciting contributions.

Tax-Exempt Status - The Internal Revenue Service has determined that the Program and BTMF are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The not-for-profit status of the Program and BTMF are considered tax positions under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of September 30, 2018 or 2017. The Organization's tax returns are subject to review and examination by federal and state authorities.

BTMB is treated as a disregarded entity for income tax reporting purposes. As such, BTMB's income, losses and credits are included in the tax return of its sole member and parent, NMDP. BTMBTS is a regarded entity for tax purposes and files a separate tax return. CLR is an exempted company operating subject to the Companies Law (Revised) of Cayman Islands and is included in the tax return of NMDP. BTMM is treated as a foreign corporation for U.S income tax reporting purposes. BTMM will file a separate tax return in Mexico.

Impairment of Long-Lived Assets - The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the assets with the net cash flows to be provided by operations and eventual disposition of the asset. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would determine whether an impairment loss should be recognized. An impairment loss would be based on the fair value utilizing a discounted cash flows approach to estimate fair value. In 2018 and 2017, no impairment losses were recorded.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as the medical accruals that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent Events - The Organization has considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to September 30, 2018 through January 15, 2019, the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements – In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will eliminate and replace most industry-specific guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. This guidance will be effective for the Organization beginning October 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is assessing the impact of the new guidance on the Organization's financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value to be recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The new guidance will become effective for the Organization's fiscal year beginning after December 15, 2018. The Organization is assessing the impact this standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contributions is conditional. ASU 2018-08 is effective for fiscal years beginning after December 31, 2018. The Organization is assessing the impact this standard will have on its financial statements and intends to implement this standard concurrently with ASU 2014-09.

(IN THOUSANDS)

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of the cost of property and equipment and the related accumulated depreciation and amortization as of September 30, 2018 and 2017, is as follows:

	2018	2017
Furniture and equipment	$ 26,963	$ 27,523
Leasehold improvements	6,384	6,244
Software	66,087	84,765
Leased property	60,208	60,208
Work in process	19,141	10,833
	178,783	189,573
Less accumulated depreciation and amortization	(77,621)	(82,412)
Property and equipment - net	$ 101,162	$ 107,161

Work in process as of September 30, 2018 includes the acquisition, development, installation, and implementation of computer hardware, database licenses, application licenses, and packaged and customized computer software, leasehold improvements, and furniture and equipment. The Organization's depreciation and amortization expense during the years ended September 30, 2018 and 2017, was $20,195 and $19,771, respectively, and is recorded in depreciation expense in the consolidated statements of functional expenses.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The types of investments held as of September 30, 2018 and 2017, were as follows:

	2018	2017
Mutual funds	$ 105,754	$ 102,171
Domestic equity securities	7,129	-
Other securities (at cost)	5,000	5,000
Cash and certificates of deposit (at cost)	15,528	15,000
	$ 133,411	$ 122,171
Reported on the statement of financial positions as:		
Short-term investments	$ 19,320	$ 18,000
Long-term investments	114,091	104,171
	$ 133,411	$ 122,171

Domestic equity securities represents the NMDP's, through its subsidiary BTMB, program related investment of an unrelated entity. The majority of the shares owned are subject to a lock-up period, which continues through at least December of 2018.

Other securities represents the NMDP's, through its subsidiary BTMB, program related investment in Series A preferred stock of an unrelated entity. BTMB owns 2.0% of the entity's outstanding shares and does not have significant influence, and thus accounts for this investment utilizing the cost method.

(IN THOUSANDS)

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The primary purpose of NMDP's program related investments is to further the tax-exempt purpose of the NMDP. The production of income or the appreciation of the assets are not a significant purpose.

The summary of the investment return for the years ended September 30, 2018 and 2017, is as follows:

	2018	2017
Interest income, net	$ 2,713	$ 2,346
Realized gain on investments	1,893	133
	4,606	2,479
Change in unrealized appreciation on investments	1,793	6,015
Total investment return	$ 6,399	$ 8,494

Interest income is net of fees of $67 and $66, respectively, for the years ended September 30, 2018 and 2017. The change in unrealized appreciation on investments relates to the investments types disclosed above and the fund held by others at the Minneapolis Foundation.

Fair value of financial instruments **-**The Organization values its financial assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, that establishes a three-tier fair value hierarchy. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

(IN THOUSANDS)

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Asset Valuation Techniques - Mutual funds and domestic equity securities are valued at the closing price reported in the active market in which the individual funds and securities are traded, and are recorded within Level 1 in the valuation hierarchy.

Money market funds are valued at the net asset value (NAV) per share, which is set at $1 per share, and are recorded within Level 1 in the valuation hierarchy as they are determined to be actively traded.

Level 3 funds represent funds held by the Minneapolis Foundation. The Organization elected the long-term growth investment strategy option, which includes a diversified portfolio of equity securities, fixed income securities, and alternative investments. The units of the fund are stated at NAV per share as determined by the Minneapolis Foundation, which is based on the estimated fair market values, using Level 1 and Level 2 inputs, of the underlying investments in the long-term growth fund. The Minneapolis Foundation utilizes market values for identical assets in an active market and similar assets to establish the estimated fair value of the underlying investments.

Deferred compensation funds are comprised of mutual funds and money market funds and are recorded within Level 1 in the valuation hierarchy.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

There have been no changes in the valuation methodologies used at September 30, 2018 and 2017.

Financial assets measured at fair value on a recurring basis as of September 30, 2018 and 2017, by type of inputs applicable to the fair value measurements, are summarized as follows:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Domestic equities	$ 36,854	$	$	$ 36,854
International equities	28,208			28,208
Fixed income	40,692			40,692
Total mutual funds	105,754	-	-	105,754
Domestic equity securities	7,129	-	-	7,129
Deferred compensation funds	4,167			4,167
Other assets - funds held by others	-	-	1,280	1,280
Total assets measured at fair value	$ 117,050	$ -	$ 1,280	$ 118,330

(IN THOUSANDS)

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Domestic equities	$ 44,168	$	$	$ 44,168
International equities	20,554			20,554
Fixed income	37,449			37,449
Total mutual funds	102,171	-	-	102,171
Deferred compensation funds	3,694	-	-	3,694
Other assets - funds held by others	-	-	1,214	1,214
Total assets measured at fair value	$ 105,865	$ -	$ 1,214	$ 107,079

The change in fair value of the Organization's Level 3 investment for the years ended September 30, 2018 and 2017, is summarized as follows:

	2018	2017
Beginning fair value - October 1	$ 1,214	$ 1,108
Contributions/Purchases	-	14
Withdrawals/Sales	-	(50)
Fees	(11)	(10)
Unrealized gains	77	152
Ending fair value - September 30	$ 1,280	$ 1,214

NOTE 5 – LONG-TERM DEBT

A summary of long-term debt as of September 30, 2018 and 2017, is as follows:

	2018	2017
Revenue Note - Series 2015	$ -	$ 18,310
Restaurant loan, net of unamortized discount	455	516
Total debt	455	18,826
Less current maturities of long-term debt	(70)	(6,070)
Long-term portion	$ 385	$ 12,756

The City of Minneapolis, Minnesota ("City"), issued a Revenue Note, National Marrow Donor Program Project – Series 2015 ("Series 2015 Note") on behalf of the Organization for $30,000 pursuant to a Loan and Note Purchase Agreement ("Agreement") dated September 1, 2015 among the City, the Organization and U.S. Bank National Association ("U.S. Bank"). The City assigned its interest in the loan repayments and rights under the Agreement to U.S. Bank. The Series 2015 Note was issued on September 24, 2015 with an original final maturity date of August 1, 2020. The Series 2015 Note was paid in full during the year ended September 30, 2018.

(IN THOUSANDS)

NOTE 5 – LONG-TERM DEBT (continued)

In 2015, the Organization entered into an agreement with Bon Appetit Management Co. to operate a restaurant within its coordinating center (Note 10). The terms of the agreement provided that Bon Appetit would provide a $700 non-interest bearing ten year loan ("Restaurant Loan") to fund certain improvements to the premises. The Organization has recorded a discount associated with the loan to reflect imputed interest at 1.7%, representing the Organization's borrowing rate at inception of the loan. The loan proceeds were issued in September 2015 with a final maturity date of November 2025.

At September 30, 2018, maturities of long-term debt for each of the fiscal years ending September 30, 2019 to 2023, and thereafter, are as follows:

2019	$	70
2020		70
2021		70
2022		70
2023		70
Thereafter		133
Total		483
Unamortized discount		(28)
Total	$	455

Capital Leases – On October 15, 2013, NMDP entered into a lease agreement for a location on the west side of downtown Minneapolis, adjacent to Target Field. The office building is the new coordinating center of the Organization with lease payments beginning on January 1, 2016. The term of the lease is fifteen years with cumulative base rent payments approximating $84,288. The Organization has the option to extend the lease term for three additional periods of seven years each. The Organization recorded the capital lease asset and capital lease obligation in 2016 at the beginning of the lease term in the amount of $60,209, which approximates the present value of the of the minimum lease payments incurred during the lease term. The future lease payments relating to the coordinating center and other ancillary office equipment capital leases are as follows:

2019	$	5,203
2020		5,306
2021		5,411
2022		5,518
2023		5,604
Thereafter		43,390
Total		70,432
Less amounts representing interest		(16,849)
Total	$	53,583

The Organization incurred $2,847 of interest costs during the year ended September 30, 2018, of which a net $207 was capitalized, leaving the amount expensed of $2,640. The Organization incurred $3,030 of interest costs during the year ended September 30, 2017, of which a net $114 was capitalized, leaving the amount expensed of $2,916.

(IN THOUSANDS)

NOTE 6 – FEDERAL CONTRACTS AND COOPERATIVE AGREEMENTS

Federal contracts and cooperative agreements revenues are based on the terms of the specific contracts and cooperative agreements designed to cover qualified expenses, as defined. Federal contracts and cooperative agreements revenues for the years ended September 30, 2018 and 2017, were as follows:

	2018	2017
Navy grants	$ 20,919	$ 17,761
HRSA contracts	15,443	15,134
MCW sub-award agreements – Blood and Marrow Transplant Clinical Trials Network	2,920	4,532
MCW sub-award agreements – other	4,127	3,902
NIH agreements	448	442
Other	52	342
	$ 43,909	$ 42,113

In September 2012, the HRSA awarded three contracts to the Organization with a one-year base period of performance (September 30, 2012 to September 29, 2013), and four one-year options. The fourth one-year option was awarded for all three contracts with a period of performance of September 30, 2016 to September 29, 2017. In September 2017, the HRSA awarded two contracts to the Organization with a one-year base period of performance and four one-year options. The two contracts awarded are to operate the Single Point of Access-Coordinating Center (#HHSH250201700007C) with a period of performance of September 30, 2017 to September 29, 2018 and Office of Patient Advocacy (#HHSH250201700005C) with a period of performance of September 30, 2017 to September 29, 2018. The first one-year option was awarded for both contracts with a period of performance of September 30, 2018 to September 29, 2019. The two new contracts maintain a similar level of funding in total as provided under the previous HRSA contracts.

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan (the “Retirement Plan”) for all employees. Contributions to the Retirement Plan are based on 6% of participant gross wages, plus an additional 5.7% of a participant’s gross wages in excess of the maximum FICA taxable wage base up to $270 and $265 for the years ended September 30, 2018 and 2017, respectively. A participant is vested at 40% after two years and 100% after three years of service. The Organization’s contributions to the Retirement Plan were $3,990 and $4,001 for the years ended September 30, 2018 and 2017, respectively.

(IN THOUSANDS)

NOTE 8 – Deferred Compensation and Supplemental Benefits Plans

The Organization offers its officers, senior vice presidents, vice presidents, and directors a 457(b) deferred compensation plan (the “Plan”) created in accordance with applicable provisions of the Internal Revenue Code. The Plan permits employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the Plan, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property of the Organization, and the Organization has all the related rights of ownership (not restricted to the payment of benefits under the Plan), subject only to the claim of the Organization’s general creditors. Participants’ rights under the Plan are equal to those of general creditors of the Organization in an amount equal to the fair market value of the deferred account for each participant. The related assets and liabilities are reported at fair market value based on quoted market prices and are included within deferred compensation funds and deferred compensation payable in the consolidated statements of financial position.

The Organization offers a supplemental benefits plan (the “Supplemental Plan”) for its officers, senior vice presidents, and vice presidents. Each year, the Supplemental Plan contributes 14% of salary for the chief executive officer, 9% for other officers and senior vice presidents, and 4% for vice presidents. The Supplemental Plan is a flexible benefit plan allowing the participants to select from limited options, which include payment for spousal long-term care, and the balance as a contribution into the 457(b) deferred compensation plan (above) and/or an executive savings plan to supplement current basic and supplemental benefits. The executive savings plan replaced the capital accumulation plan effective January 1, 2013. All Supplemental Plan participants receive life insurance, disability salary continuation, long-term disability and long-term care insurance. The executive savings plan was created in accordance with applicable provisions of the Internal Revenue Code (IRC Sec 7702) whereby after-tax contributions into the plan accumulate without taxation and may be distributed without taxation using a combination of tax-free withdrawals and loans. Contributions will result in current income taxation. Plan balances are personally owned by the plan participants immediately and are not subject to a risk of forfeiture; as such, the plan assets are not recorded on the Organization’s financial statements. The Supplemental Plan also provides for additional life insurance up to $750.

NOTE 9 – Restricted Net Assets and Designated Net Assets

Temporarily restricted net assets as of September 30, 2018 and 2017, were available for the following purposes:

	2018	2017
Foundation:		
Donor recruitment	$ 1,268	$ 148
Patient assistance	2,670	2,113
Research	2,158	1,748
Special programs and other	726	383
	$ 6,822	$ 4,392

(IN THOUSANDS)

NOTE 9 – Restricted Net Assets And Designated Net Assets (continued)

Permanently restricted net assets as of September 30, 2018 and 2017 were available for the following purposes:

	2018	2017
Foundation:		
Research	$ 704	$ -

Designated Net Assets - In June 2018, the Foundation Board of Directors ("Foundation Board") voted to match new contributions to the research endowment program up to $3,000. The Foundation board-designated net assets as of September 30, 2018 were $704.

NOTE 10 – Commitments and Contingencies

Litigation and Unasserted Claims - The Organization is involved in various legal proceedings or has unasserted claims incidental to its business. While the outcome of these claims is not presently determinable, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on the consolidated financial position or results of operations of the Organization. The Organization included within the financial statements their best estimate of the liability relating to such items where the loss is probable and estimable. Actual results could differ from those estimates.

Self-Insurance - The Organization is self-insured for employee health and dental insurance claims with a stop loss limit of $125 per member for health claims and $1 or $1.5 per member for dental claims depending on the employee elected plan. A liability is recorded with respect to unasserted claims based on actual claims to date. The estimated liability for health claims was $642 and $905 as of September 30, 2018 and 2017, respectively. The estimated liability for dental claims was $15 and $16 as of September 30, 2018 and 2017, respectively. Actual results could differ from those estimates.

CLR was incorporated to insure the Program and BTMBT's donors. The policy issued by CLR in existence during 2018 and 2017 is an occurrence based insurance policy with coverage provided at $1,000 per occurrence with no aggregate limit. In addition, CLR provided coverage in excess of the primary layer for $10,000 in excess of $1,000 per occurrence and no annual aggregate limit. CLR purchased 100% reinsurance with a rated reinsurer in support of the excess limits of liability offered. A liability is recorded with respect to current claims and unasserted claims based on actual claims to date and actuarial studies of estimated future liabilities for such claims. The estimated liability for these claims was $1,170 and $897 as of September 30, 2018 and 2017, respectively, and is included in accrued expenses on the statements of financial position. Actual results could differ from those estimates.

CLR also provided an employee health insurance stop loss layer between $125 and $250 for the year ended September 30, 2018. There have been no claims during the year ended September 30, 2018.

Lease Commitments - The Organization leases space under noncancelable operating leases with expiration dates through fiscal 2021. Total rent expense under all operating lease agreements was $933 and $1,101 for the years ended September 30, 2018 and 2017, respectively. Rent expense is recorded within occupancy in the consolidated statements of functional expenses.

(IN THOUSANDS)

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

The future minimum lease payments under noncancelable operating lease agreements as of September 30, 2018, were as follows:

2019	$ 440
2020	341
2021	187
Total	$ 968

NOTE 11 - ENDOWMENT

The Foundation's endowment consists of an individual pooled fund established to support the mission. The endowment will include both contributor-restricted endowment funds and matching funds designated by the Foundation Board to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Foundation Board as endowments, are classified and reported based on the existence or absence of contributor-imposed restrictions.

Interpretation of Relevant Law - The Foundation Board has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the contributor as expressed in the gift instrument. The Foundation Board has determined it is prudent to preserve the original gift as of the gift date of the contributor-restricted endowment funds absent explicit contributor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of the gifts contributed to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable contributor gift instrument at the time the accumulation is added to the fund. The remaining portion of a contributor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation through the Foundation Board's approval of the annual budget, which is inclusive of the spending rate for its endowment funds established pursuant to the Foundation's spending policy. See Note 1 for further information on net asset classifications.

Endowment net assets as of September 30, 2018 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributor-restricted	$ -	$ -	$ 704	$ 704
Board-designated	704			704
Total endowment net assets	$ 704	$ -	$ 704	$ 1,408

(IN THOUSANDS)

NOTE 11 - ENDOWMENT (continued)

Changes in endowment net assets for the year ended September 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance, October 1	$ -	$ -	$ -	$ -
Contributions	704	-	704	1,408
Ending balance, September 30	$ 704	$	$ 704	$ 1,408

There were no endowment net assets as of September 30, 2017.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual contributor-restricted endowment funds may fall below the original value of the gifts contributed to each endowment fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2018, there were no such deficiencies.

Return Objectives and Risk Parameters – The Foundation's investment policy applies to investment holdings as well as endowment assets. The investment policy strives to provide a source of income for spending that is reasonably stable and predictable from year-to-year, while seeking to preserve capital, maintain the purchasing power of the endowment assets, and prudently earn the highest possible rate of return consistent with the Foundation's ability to accommodate risk. The Foundation Board will adopt a spending policy for endowment assets with the same goals as the investment policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation designates only a portion of the endowment cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The spending policy will be presented for approval at a future Foundation Board meeting. No expenditures will be appropriated until the spending policy is approved. In developing its spending policy, the Foundation considered certain of the following factors which it determines relevant:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

SUPPLEMENTAL CONSOLIDATING INFORMATION

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
For the Year Ended September 30, 2018
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLR	BTMBTS	BTMM	Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 48,425	$ 223	$ 48,648	$ 1,256	$ 430	$ 544	$ 351	$ -	$ 51,229
Short-term investments	15,320	-	15,320	4,000	-	-	-	-	19,320
Receivables:									-
Transplant center and other receivables, net	51,229	-	51,229	2	760	-	-	(5,015)	46,976
Contract receivables	12,313	753	13,066	-	-	-	-		13,066
Pledges receivable	-	-	-	1,776	-	-	-	-	1,776
Prepaid expenses and other	6,803	38	6,841	194	93	-	20	-	7,148
Total Current Assets	134,090	1,014	135,104	7,228	1,283	544	371	(5,015)	139,515
LONG-TERM INVESTMENTS	110,261	12,129	122,390	4,752	2,193	-	-	(15,244)	114,091
PROPERTY AND EQUIPMENT	101,162	-	101,162	-	-	-	-	-	101,162
DEFERRED COMPENSATION FUNDS	4,167	-	4,167	-	-	-	-	-	4,167
LONG-TERM PLEDGES RECEIVABLE	-	-	-	1,858	-	-	-	-	1,858
OTHER ASSETS	2,977	-	2,977	1,280	-	20	-	-	4,277
TOTAL ASSETS	$ 352,657	$ 13,143	$ 365,800	$ 15,118	$ 3,476	$ 564	$ 371	$ (20,259)	$ 365,070
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts payable	$ 30,906	$ 173	$ 31,079	$ 264	$ 124	$ 9	$ 72	$ (212)	$ 31,336
Accrued expenses	18,879	3,154	22,033	1,869	2,410	38	11	(4,803)	21,558
Accrued compensation and benefits	16,859	-	16,859	403	-	-	-	-	17,262
Current maturities of long-term debt	-	-	-	-		70	-	-	70
Current maturities of long-term capital lease	2,841	-	2,841	-	-	-	-	-	2,841
Refundable advances and deferred revenue	6,152	169	6,321	-	842	-	-	-	7,163
Total Current Liabilities	75,637	3,496	79,133	2,536	3,376	117	83	(5,015)	80,230
DEFERRED COMPENSATION PAYABLE	4,087	-	4,087	-	-	-	-	-	4,087
LONG-TERM DEBT	-	-	-	-	-	385	-	-	385
LONG-TERM CAPITAL LEASE	50,742	-	50,742	-	-	-	-	-	50,742
TOTAL LIABILITIES	130,466	3,496	133,962	2,536	3,376	502	83	(5,015)	135,444
NET ASSETS	222,191	9,647	231,838	12,582	100	62	288	(15,244)	229,626
TOTAL LIABILITIES AND NET ASSETS	$ 352,657	$ 13,143	$ 365,800	$ 15,118	$ 3,476	$ 564	$ 371	$ (20,259)	$ 365,070

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
For the Year Ended September 30, 2017
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLR	BTMBTS	BTMM	Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 71,471	$ 371	$ 71,842	$ 2,475	$ 761	$ 1,087	-	$ -	$ 76,165
Short-term investments	15,000	-	15,000	3,000	-	-	-	-	18,000
Receivables:									
Transplant center and other receivables, net	46,716	-	46,716	67	744	-	-	(1,379)	46,148
Contract receivables	5,122	280	5,402	-	-	-	-	-	5,402
Pledges receivable	-	-	-	554	-	-	-	-	554
Prepaid expenses and other	5,507	-	5,507	57	85	-	-	-	5,649
Total Current Assets	143,816	651	144,467	6,153	1,590	1,087	-	(1,379)	151,918
LONG-TERM INVESTMENTS	98,729	5,000	103,729	8,250	552	-	-	(8,360)	104,171
PROPERTY AND EQUIPMENT	107,161	-	107,161	-	-	-	-	-	107,161
DEFERRED COMPENSATION FUNDS	3,694	-	3,694	-	-	-	-	-	3,694
LONG-TERM PLEDGES RECEIVABLE	-	-	-	1,147	-	-	-	-	1,147
OTHER ASSETS	2,770	-	2,770	1,214	-	20		-	4,004
TOTAL ASSETS	$ 356,170	$ 5,651	$ 361,821	$ 16,764	$ 2,142	$ 1,107	$ -	$ (9,739)	$ 372,095
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts payable	$ 27,316	$ 222	$ 27,538	$ 622	$ 117	$ 12	-	$ (124)	$ 28,165
Accrued expenses	17,875	1,056	18,931	635	1,099	26	-	(1,255)	19,436
Accrued compensation and benefits	13,988	-	13,988	242	-	-	-	-	14,230
Current maturities of long-term debt	6,000	-	6,000	-	-	70	-	-	6,070
Current maturities of long-term capital lease	2,587	-	2,587	-	-	-	-	-	2,587
Refundable advances and deferred revenue	10,935	-	10,935	-	826	-	-	-	11,761
Total Current Liabilities	78,701	1,278	79,979	1,499	2,042	108	-	(1,379)	82,249
DEFERRED COMPENSATION PAYABLE	3,694	-	3,694	-	-	-	-	-	3,694
LONG-TERM DEBT	12,310	-	12,310	-	-	446	-	-	12,756
LONG-TERM CAPITAL LEASE	53,411	-	53,411	-	-	-	-	-	53,411
TOTAL LIABILITIES	148,116	1,278	149,394	1,499	2,042	554	-	(1,379)	152,110
NET ASSETS	208,054	4,373	212,427	15,265	100	553	-	(8,360)	219,985
TOTAL LIABILITIES AND NET ASSETS	$ 356,170	$ 5,651	$ 361,821	$ 16,764	$ 2,142	$ 1,107	$ -	$ (9,739)	$ 372,095

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
For the Year Ended September 30, 2018
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLR	BTMBTS	BTMM	Eliminations	Consolidated
REVENUES AND GAINS:									
Search and procurement fees	$ 344,679	$ 3,467	$ 348,146	$ -	$ -	$ -	$ -	$ -	$ 348,146
Federal contracts and cooperative agreements	43,909	-	43,909	-	-	-	-	-	43,909
Contributions	20,126	-	20,126	12,156	-	-	3	(7,093)	25,192
Other	1,327	81	1,408	-	1,190	-	-	(2,255)	343
Total Revenues and Gains	410,041	3,548	413,589	12,156	1,190	-	3	(9,348)	417,590
EXPENSES:									
Program services	338,442	2,277	340,719	12,558	1,002	-	277	(9,093)	345,463
Management and general	62,035	3,126	65,161	1,275	187	525	138	(149)	67,137
Fundraising	266	-	266	1,587	-	-	-	(106)	1,747
Total Expenses	400,743	5,403	406,146	15,420	1,189	525	415	(9,348)	414,347
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	9,298	(1,855)	7,443	(3,264)	1	(525)	(412)	-	3,243
OTHER INCOME AND EXPENSES									
Loss on disposal of asset	(1)	-	(1)	-	-	-	-	-	(1)
Investment income	3,686	-	3,686	925	(5)	-	-	-	4,606
Change in unrealized appreciation on investments	1,154	979	2,133	(344)	4	-	-	-	1,793
Total Other Income and Expenses	4,839	979	5,818	581	(1)	-	-	-	6,398
INCREASE (DECREASE) IN NET ASSETS	14,137	(876)	13,261	(2,683)	-	(525)	(412)	-	9,641
Net Assets - Beginning of Year	208,054	4,373	212,427	15,265	100	553	-	(8,360)	219,985
Investment in Subsidiary	-	6,150	6,150	-	-	34	700	(6,884)	-
		-							
NET ASSETS - End of Year	$ 222,191	$ 9,647	$ 231,838	$ 12,582	$ 100	$ 62	$ 288	$ (15,244)	$ 229,626

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
For the Year Ended September 30, 2017
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLR	BTMBTS	BTMM	Eliminations	Consolidated
REVENUES AND GAINS:									
Search and procurement fees	$ 332,469	$ 2,293	$ 334,762	$ -	$ -	$ -	$ -	$ -	$ 334,762
Federal contracts and cooperative agreements	42,113	-	42,113	-	-	-	-	-	42,113
Contributions	11,438	-	11,438	12,505	-	-	-	(7,976)	15,967
Other	722	74	796	-	1,089	-	-	(1,398)	487
Total Revenues and Gains	386,742	2,367	389,109	12,505	1,089	-	-	(9,374)	393,329
EXPENSES:									
Program services	305,106	1,646	306,752	11,612	926	-	-	(8,791)	310,499
Management and general	55,133	2,329	57,462	1,434	165	516	-	(466)	59,111
Fundraising	839	-	839	1,050	-	-	-	(117)	1,772
Total Expenses	361,078	3,975	365,053	14,096	1,091	516	-	(9,374)	371,382
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	25,664	(1,608)	24,056	(1,591)	(2)	(516)	-	-	21,947
OTHER INCOME AND EXPENSES									
Loss on disposal of asset	(206)	-	(206)	-	-	-	-	-	(206)
Investment income	1,879	-	1,879	596	4	-	-	-	2,479
Change in unrealized appreciation on investments	5,522	-	5,522	495	(2)	-	-	-	6,015
Total Other Income and Expenses	7,195	-	7,195	1,091	2	-	-	-	8,288
INCREASE (DECREASE) IN NET ASSETS	32,859	(1,608)	31,251	(500)	-	(516)	-	-	30,235
Net Assets - Beginning of Year	175,195	181	175,376	15,765	100	129	-	(1,620)	189,750
Investment in Subsidiary	-	5,800	5,800	-	-	940	-	(6,740)	-
		-							
NET ASSETS - End of Year	$ 208,054	$ 4,373	$ 212,427	$ 15,265	$ 100	$ 553	$ -	$ (8,360)	$ 219,985