NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

Minneapolis, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2019 and 2018

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, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years 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 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, 2019 and 2018, 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 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 30, 2020

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2019 and 2018
(in thousands)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 63,047		$ 63,047	$ 47,982		$ 47,982
Short-term investments (Note 5)	29,720	-	29,720	19,320	-	19,320
Receivables:						
Transplant center and other receivables - net of allowance of $151 and $170 in 2019 and 2018, respectively	40,766	-	40,766	46,976	-	46,976
Contract receivables	11,632	-	11,632	13,066	-	13,066
Pledges receivable - net of allowance of $20 and $0 in 2019 and 2018, respectively (Note 2)	406	727	1,133	351	1,425	1,776
Prepaid expenses and other	7,437	-	7,437	7,148	-	7,148
Total Current Assets	153,008	727	153,735	134,843	1,425	136,268
RESTRICTED CASH (Note 2)	-	1,781	1,781	-	3,247	3,247
LONG-TERM INVESTMENTS (Note 5)	115,573	4,144	119,717	114,091	-	114,091
PROPERTY AND EQUIPMENT (Note 4)	94,280	-	94,280	101,162	-	101,162
DEFERRED COMPENSATION FUNDS (Notes 5 and 9)	4,432	-	4,432	4,167	-	4,167
LONG-TERM PLEDGES RECEIVABLE (Note 2)	852	1,945	2,797	284	1,574	1,858
OTHER ASSETS	3,787	-	3,787	2,997	1,280	4,277
TOTAL ASSETS	$ 371,932	$ 8,597	$ 380,529	$ 357,544	$ 7,526	$ 365,070
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 32,982	$ -	$ 32,982	$ 31,336	$ -	$ 31,336
Accrued expenses	22,754	-	22,754	21,558	-	21,558
Accrued compensation and benefits	23,368	-	23,368	17,262	-	17,262
Current maturities of long-term debt (Note 6)	70	-	70	70	-	70
Current maturities of long-term capital lease (Note 6)	3,090	-	3,090	2,841	-	2,841
Refundable advances and deferred revenue (Note 2)	4,877	-	4,877	7,163	-	7,163
Total Current Liabilities	87,141	-	87,141	80,230	-	80,230
DEFERRED COMPENSATION PAYABLE (Note 9)	4,341	-	4,341	4,087	-	4,087
LONG-TERM DEBT (Note 6)	322	-	322	385	-	385
LONG-TERM CAPITAL LEASE (Note 6)	47,711	-	47,711	50,742	-	50,742
TOTAL LIABILITIES	139,515	-	139,515	135,444	-	135,444
NET ASSETS	232,417	8,597	241,014	222,100	7,526	229,626
TOTAL LIABILITIES AND NET ASSETS	$ 371,932	$ 8,597	$ 380,529	$ 357,544	$ 7,526	$ 365,070

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Years Ended September 30, 2019 and 2018
(in thousands)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS:						
Search and procurement fees	$ 373,620	$ -	$ 373,620	$ 348,146	$ -	$ 348,146
Federal contracts and cooperative agreements	48,143	-	48,143	43,909	-	43,909
Contributions	23,371	2,885	26,256	21,259	3,933	25,192
Other	224	-	224	343	-	343
Net assets released from restrictions	1,924	(1,924)	-	876	(876)	-
Total Revenues and Gains	447,282	961	448,243	414,533	3,057	417,590
EXPENSES:						
Program services	374,549	-	374,549	345,463	-	345,463
Management and general	65,830	-	65,830	67,137	-	67,137
Fundraising	2,647	-	2,647	1,747	-	1,747
Total Expenses	443,026	-	443,026	414,347	-	414,347
EXCESS OF REVENUES AND GAINS OVER EXPENSES	4,256	961	5,217	186	3,057	3,243
OTHER INCOME (EXPENSES) AND OTHER CHANGES						
Loss on disposal of asset	(34)	-	(34)	(1)	-	(1)
Investment income	4,367	22	4,389	4,606	-	4,606
Change in unrealized appreciation on investments	1,728	88	1,816	1,716	77	1,793
Total Other Income (Expenses) and Other Changes	6,061	110	6,171	6,321	77	6,398
INCREASE IN NET ASSETS	10,317	1,071	11,388	6,507	3,134	9,641
Net Assets - Beginning of Year	222,100	7,526	229,626	215,593	4,392	219,985
NET ASSETS - End of Year	$ 232,417	$ 8,597	$ 241,014	$ 222,100	$ 7,526	$ 229,626

See accompanying notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019
(in thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$ 189,982	$ -	$ -	$ -	$ 189,982	$ -	$ -	$ -	$ 189,982
Donor recruitment services	-	20,865	-	-	20,865	-	-	-	20,865
Compensation	37,114	11,625	14,063	9,252	72,054	26,074	988	27,062	99,116
Benefits	8,180	2,525	3,242	1,985	15,932	5,515	204	5,719	21,651
Professional fees	11,372	12,279	12,414	5,336	41,401	9,994	1,244	11,238	52,639
Travel	1,251	953	904	944	4,052	1,837	20	1,857	5,909
Professional development	413	167	110	169	859	426	14	440	1,299
Occupancy	224	172	58	24	478	4,857	3	4,860	5,338
Telecommunications	288	192	96	54	630	335	9	344	974
Information processing	3,421	2,253	1,306	668	7,648	3,919	147	4,066	11,714
Printing and copying	228	437	14	261	940	175	1	176	1,116
Postage and shipping	209	47	27	95	378	69	-	69	447
Depreciation	2,716	1,904	999	733	6,352	9,102	-	9,102	15,454
Interest expense	-	-	-	-	-	2,370	-	2,370	2,370
Office and miscellaneous	331	660	61	428	1,480	1,157	17	1,174	2,654
Research activities	-	-	11,498	-	11,498	-	-	-	11,498
Total Expenses	$ 255,729	$ 54,079	$ 44,792	$ 19,949	$ 374,549	$ 65,830	$ 2,647	$ 68,477	$ 443,026

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	-	-	-	21,201
Compensation	31,081	9,438	13,269	6,980	60,768	25,499	654	26,153	86,921
Benefits	6,572	1,989	2,986	1,408	12,955	5,955	142	6,097	19,052
Professional fees	10,339	10,212	11,221	3,990	35,762	8,726	785	9,511	45,273
Travel	1,254	903	862	875	3,894	1,172	9	1,181	5,075
Professional development	285	106	128	91	610	379	17	396	1,006
Occupancy	196	112	58	85	451	4,653	32	4,685	5,136
Telecommunications	362	53	103	-	518	543	-	543	1,061
Information processing	3,667	568	1,146	5	5,386	5,274	62	5,336	10,722
Printing and copying	167	306	58	353	884	194	30	224	1,108
Postage and shipping	128	144	48	122	442	76	9	85	527
Depreciation	4,129	2,284	1,705	1,636	9,754	10,441	-	10,441	20,195
Interest expense	-	-	-	-	-	2,649	-	2,649	2,649
Office and miscellaneous	200	104	3	219	526	1,576	7	1,583	2,109
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 STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019 and 2018
(in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 11,388	$ 9,641
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization/accretion	15,461	20,203
Loss on disposal of asset	34	1
Net realized and unrealized appreciation of investments	(2,811)	(3,686)
Changes in other operating activities:		
Receivables	7,348	(10,425)
Prepaid expenses and other assets	(1,079)	(1,706)
Accounts payable	1,567	3,957
Accrued expenses and compensation and benefits	7,302	5,154
Refundable advances and deferred revenue	(2,286)	(4,598)
Deferred compensation payable	254	393
Net cash provided by operating activities	37,178	18,934
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(17,431)	(34,342)
Sales/maturities of investments	5,496	26,722
Purchase of property, computer software and equipment	(8,527)	(14,983)
Net purchases of deferred compensation funds	(265)	(473)
Net cash used in investing activities	(20,727)	(23,076)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(70)	(18,379)
Principal payments on long-term capital lease	(2,782)	(2,415)
Net cash used in financing activities	(2,852)	(20,794)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,599	(24,936)
CASH AND CASH EQUIVALENTS - Beginning of Year	51,229	76,165
CASH AND CASH EQUIVALENTS - End of Year	$ 64,828	$ 51,229
Cash and Cash equivalents	$ 63,047	$ 47,982
Cash and Cash equivalents restricted	1,781	3,247
Total cash and cash equivalents	$ 64,828	$ 51,229
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 2,363	$ 2,847
Noncash investing and financing activities:		
Purchase of property and equipment included in accounts payable and accrued expenses at end of year	$ 660	$ 581
Property and equipment acquired through capital lease	$ 60	$ 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. 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. The Program matches donors with patients in need, facilitates the donation and patient's path to transplantation, and collects data to improve outcomes and experience. For more information, visit bethematch.org.

Be The Match Foundation® (the "Foundation" or BTMF) is operated by NMDP and raises funds to support the Program's initiatives. 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 donors to the Be The Match Registry®, support new research discoveries and our Be The Match strategic initiatives.

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

Be The Match BioTherapies, LLC (BTMB) is a wholly owned subsidiary of NMDP focused on growing the Be The Match brand throughout the cellular therapy network.

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, CLEAR, 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 CLEAR, 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. 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.

Restricted Cash - Restricted cash consists of financial contributions with donor imposed restrictions that prevent them from being available for operations.

(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. 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, 2019, there was a $20 allowance for uncollectible pledges recorded. There was no allowance recorded as of September 30, 2018.

During the years ended September 30, 2019 and 2018, contributions and pledges received from related parties (members of the Board of Directors) totaled $737 and $294, respectively. Pledges receivable as of September 30, 2019 and 2018 from members of the Board of Directors were $982 and $761, respectively.

As of September 30, 2019 and 2018, the expected future cash receipts of pledges receivable are as follows:

	2019	2018
Pledges due - Less than one year	$ 1,133	$ 1,776
Pledges due - More than one year	2,797	1,858
Total pledges, net	$ 3,930	$ 3,634

Other Assets - Fund Held by Others - BTMF had funds with donor restrictions (the "Fund") invested at the Minneapolis Foundation until early fiscal year 2019. Under the terms of the agreement establishing the Fund, BTMF could receive income distributions from the Fund. In addition, BTMF could request distributions from the principal of the Fund. The Fund was managed at the discretion of the Minneapolis Foundation, except that BTMF could make recommendations regarding the selection of investment options for the Fund. The Fund held by the Minneapolis Foundation was recorded as assets with donor restrictions, included in other assets on the consolidated statement of financial position at a value of $1,280 as of September 30, 2018. This fund was transferred to Vanguard in fiscal year 2019 and is now classified as assets with donor restrictions, as a long-term investment.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 $36 and $29 at September 30, 2019 and 2018, 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. Adjustments to prior estimates are charged to operations in the year in which the adjustments are made as a change in estimate. The Organization's estimated liability for unpaid medical services totaled approximately $36,000 and $30,000 for the years ended September 30, 2019 and 2018, respectively. Actual results could differ from these estimates.

Approximately $17,000 and $19,000 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, 2019. 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.

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 net assets without donor restrictions, 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 net assets with donor restrictions. When a contributor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions whose contributor restriction expires in the same year as funds are received are classified as net assets without donor restrictions in the consolidated statements of activities. In the absence of contributor specifications that income and gains on contributed funds be restricted, such income and gains are reported as income from without donor restrictions. The Organization recruits bone marrow donors, however, throughout the financial statements, donors mean financial contributors.

Revenue Recognition - Search and procurement fee 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. 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Bone marrow 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.

Functional Allocation of Expenses - The costs of providing the Organization's various programs, including medical services, recruitment, research, public awareness and supporting services have been summarized on a functional basis. Accordingly, certain costs such as compensation and benefits and professional fees have been allocated among the programs and supporting services benefited based on conversations with department leaders in order to estimate where time and specific work efforts are focused, what technology systems are being supported and what organizational goals these departments support. 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, 2019 or 2018. 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. CLEAR 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 2019 and 2018, no impairment losses were recorded.

Use of Estimates - The preparation of the consolidated 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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated 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, 2019 through January 30, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications - Certain amounts appearing in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("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 for fiscal years beginning after December 15, 2018 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.

In February 2016, FASB issued Accounting standards update ("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, 2020. 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 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.

(IN THOUSANDS)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements Adopted - 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 and availability of resources, financial performance and cash flows. ASU 2016-14 was effective for the Organization for fiscal year 2019. The Organization has adopted this standard with certain transition provisions. The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions
- Disclosure added regarding the liquidity and availability of resources at September 30, 2019 and 2018 (Note 3)
- Additional disclosures related to underwater endowments (Note 12)
- Expanded policy disclosure related to natural and functional classifications of expenses (Note 2)

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

The following reflects the Organization's financial assets as of the balance sheet date that are available for general use within one year of the balance sheet date. These amounts do not include items that have contractual or donor imposed restrictions or internal designations that prevent them from being available for general expenditure within one year.

	2019	2018
Cash and cash equivalents	$ 61,856	$ 47,982
Short-term investments	29,720	19,320
Transplant center and other receivables – net of allowance	40,766	46,976
Contract receivables	11,632	13,066
Pledges receivable	1,133	1,776
Long-term investments	115,573	114,091
	$ 260,680	$ 243,211

(IN THOUSANDS)

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of the cost of property and equipment and the related accumulated depreciation and amortization as of September 30, 2019 and 2018, is as follows:

	2019	2018
Furniture and equipment	$ 28,367	$ 26,963
Leasehold improvements	6,413	6,384
Software	84,393	66,087
Leased property	60,208	60,208
Work in process	2,716	19,141
	182,097	178,783
Less accumulated depreciation and amortization	(87,817)	(77,621)
Property and equipment - net	$ 94,280	$ 101,162

Work in process as of September 30, 2019 includes the acquisition, development, installation and implementation of computer hardware, packaged and customized computer software, leasehold improvements, and furniture and equipment. The Organization's depreciation and amortization expense during the years ended September 30, 2019 and 2018, was $15,454 and $20,195, respectively.

(IN THOUSANDS)

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The types of investments held as of September 30, 2019 and 2018, were as follows:

	2019	2018
Mutual funds	$ 112,548	$ 105,754
Domestic equity securities	6,090	7,129
Other securities (at cost)	5,000	5,000
Cash and certificates of deposit (at cost)	25,799	15,528
	$ 149,437	$ 133,411
Reported on the statement of financial positions as:		
Short-term investments	$ 29,720	$ 19,320
Long-term investments	119,717	114,091
	$ 149,437	$ 133,411

Domestic equity securities represent the Program's, through its subsidiary BTMB, program related investment of an unrelated entity.

Other securities represent the Program'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.

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

The summary of the investment return for the years ended September 30, 2019 and 2018, is as follows:

	2019	2018
Interest income, net	$ 3,394	$ 2,713
Realized gain on investments	995	1,893
	4,389	4,606
Change in unrealized appreciation on investments	1,816	1,793
Total investment return	$ 6,205	$ 6,399

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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.

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.

For the year ended September 30, 2018, 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, 2019 and 2018.

(IN THOUSANDS)

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Financial assets measured at fair value on a recurring basis as of September 30, 2019 and 2018, by type of inputs applicable to the fair value measurements, are summarized as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Domestic equities	$ 38,880	$	$	$ 38,880
International equities	18,208			18,208
Fixed income	55,460			55,460
Total mutual funds	112,548	-	-	112,548
Domestic equity securities	6,090	-	-	6,090
Deferred compensation funds	4,432	-	-	4,432
Total assets measured at fair value	$ 123,070	$ -	$	$ 123,070

	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

The other assets - funds held by others at the Minneapolis Foundation were transferred to Vanguard in early fiscal year 2019. The change in fair value of the Organization's Level 3 investment is summarized as follows:

	2019	2018
Beginning fair value - October 1	$ 1,280	$ 1,214
Contributions/Purchases	-	-
Withdrawals/Sales	(1,232)	-
Fees	-	(11)
Realized losses	(48)	-
Unrealized gains	-	77
Ending fair value - September 30	$ -	$ 1,280

(IN THOUSANDS)

NOTE 6 – LONG-TERM DEBT

A summary of long-term debt as of September 30, 2019 and 2018, is as follows:

	2019	2018
Restaurant loan, net of unamortized discount	392	455
Less current maturities of long-term debt	(70)	(70)
Long-term portion	$ 322	$ 385

In 2015, the Organization entered into an agreement with Bon Appetit Management Co. to operate a restaurant within its coordinating center (Note 11). 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, 2019, maturities of long-term debt for each of the fiscal years ending September 30, 2020 to 2024, and thereafter, are as follows:

2020	$ 70
2021	70
2022	70
2023	70
2024	70
Thereafter	63
Total	413
Unamortized discount	(21)
Total	$ 392

(IN THOUSANDS)

NOTE 6 – LONG-TERM DEBT (continued)

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 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:

2020	$ 5,321
2021	5,426
2022	5,533
2023	5,619
2024	5,702
Thereafter	37,696
Total	65,297
Less amounts representing interest	(14,496)
Total	$ 50,801

The Organization incurred $2,370 of interest costs during the year ended September 30, 2019. There was no interest capitalized during the year ended September 30, 2019. 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.

(IN THOUSANDS)

NOTE 7 – 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, 2019 and 2018, were as follows:

	2019	2018
Navy grants	$ 23,082	$ 20,919
HRSA contracts	17,968	15,443
MCW sub-award agreements – Blood and Marrow Transplant Clinical Trials Network	1,694	2,920
MCW sub-award agreements – other	4,567	4,127
NIH agreements	832	448
Other	-	52
	$ 48,143	$ 43,909

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 two one-year options were awarded for both contracts with a period of performance of September 30, 2018 to September 29, 2019 and September 30, 2019 to September 29, 2020, respectively. The two new contracts maintain a similar level of funding in total as provided under the previous HRSA contracts.

NOTE 8 – 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 $275 and $270 for the years ended September 30, 2019 and 2018, 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 $4,153 and $3,990 for the years ended September 30, 2019 and 2018, respectively.

(IN THOUSANDS)

NOTE 9 – 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, 12% for chief financial 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 10 – RESTRICTED NET ASSETS AND DESIGNATED NET ASSETS

Donor restricted net assets as of September 30, 2019 and 2018, were available for the following purposes:

	2019	2018
Foundation:		
Donor recruitment	$ 1,636	$ 1,268
Patient assistance	2,584	2,670
Research (purpose restricted)	1,764	2,158
Research (restricted in perpetuity)	1,718	704
Special programs and other	895	726
	$ 8,597	$ 7,526

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, 2019 and 2018 were $2,894 and $704, respectively.

(IN THOUSANDS)

NOTE 11 – 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 consolidated 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 $813 and $642 as of September 30, 2019 and 2018, respectively. The estimated liability for dental claims was $19 and $15 as of September 30, 2019 and 2018, respectively. Actual results could differ from those estimates.

CLEAR was incorporated to insure the Program's donors. The policy issued by CLEAR in existence during 2019 and 2018 is an occurrence-based insurance policy with coverage provided at $1,000 per occurrence with no aggregate limit. In addition, CLEAR provided coverage in excess of the primary layer for $10,000 in excess of $1,000 per occurrence and no annual aggregate limit. CLEAR 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 $1,183 and $1,170 as of September 30, 2019 and 2018, respectively, and is included in accrued expenses on the statements of financial position. Actual results could differ from those estimates.

CLEAR also provided an employee health insurance stop loss layer between $125 and $250. The estimated liability for stop loss claims was $130 and $0 as of September 30, 2019 and 2018, respectively.

Lease Commitments - The Organization leases space under noncancelable operating leases with expiration dates through fiscal 2030. Total rent expense under all operating lease agreements was $895 and $933 for the years ended September 30, 2019 and 2018, respectively. Rent expense is recorded within occupancy in the consolidated statements of functional expenses.

The future minimum lease payments under noncancelable operating lease agreements as of September 30, 2019, were as follows:

2020	$ 477
2021	288
2022	118
2023	121
2024	125
Thereafter	689
Total	$ 1,818

(IN THOUSANDS)

NOTE 12 – 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 with donor restricted net assets (a) the original value of the gifts contributed to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as held in perpetuity 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 2 for further information on net asset classifications.

Endowment net assets as of September 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Contributor-restricted	$ -	$ 1,718	$ 1,718
Board-designated	2,894	-	2,894
Total endowment net assets	$ 2,894	$ 1,718	$ 4,612

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

	Without Donor Restrictions	With Donor Restrictions	Total
Contributor-restricted	$ -	$ 704	$ 704
Board-designated	704	-	704
Total endowment net assets	$ 704	$ 704	$ 1,408

(IN THOUSANDS)

NOTE 12 – ENDOWMENT (continued)

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance, October 1	$ 704	$ 704	$ 1,408
Contributions	1,950	1,014	2,964
Investment income and unrealized gains	240	-	240
Ending balance, September 30	$ 2,894	$ 1,718	$ 4,612

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

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance, October 1	$ -	$ -	$ -
Contributions	704	704	1,408
Ending balance, September 30	$ 704	$ 704	$ 1,408

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 net assets with donor restrictions. If an endowment unit's fund balance falls below 80% of the principal value, spending would be ceased until the restoration of the principal value. As of September 30, 2019 and 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 has adopted 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.

NOTE 12 – ENDOWMENT (continued)

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 was approved by the Foundation Board during fiscal year 2019, to appropriate a distribution during each fiscal year an amount per endowment unit calculated at a rate 4.5% to 5% of the average endowment value per endowment unit from the preceding 16 quarters. No spending policy appropriation was made in fiscal year 2019. 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, 2019
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLEAR	BTMBTS	BTMM	Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 60,233	$ 315	$ 60,548	$ 1,191	$ 113	$ 753	$ 442	$ -	$ 63,047
Short-term investments	25,720	-	25,720	4,000	-	-	-	-	29,720
Receivables:									-
Transplant center and other receivables, net	52,562	-	52,562	-	123	-	328	(12,247)	40,766
Contract receivables	11,627	5	11,632	-	-	-	-		11,632
Pledges receivable	-	-	-	1,133	-	-	-	-	1,133
Prepaid expenses and other	7,053	2	7,055	328	15	-	39	-	7,437
Total Current Assets	157,195	322	157,517	6,652	251	753	809	(12,247)	153,735
RESTRICTED CASH	207	-	207	1,574	-	-	-	-	1,781
LONG-TERM INVESTMENTS	117,326	11,090	128,416	5,226	2,763	-	-	(16,688)	119,717
PROPERTY AND EQUIPMENT	94,112	168	94,280	-	-	-	-	-	94,280
DEFERRED COMPENSATION FUNDS	4,432	-	4,432	-	-	-	-	-	4,432
LONG-TERM PLEDGES RECEIVABLE	-	-	-	2,797	-	-	-	-	2,797
OTHER ASSETS	3,767	-	3,767	-	-	20	-	-	3,787
TOTAL ASSETS	$ 377,039	$ 11,580	$ 388,619	$ 16,249	$ 3,014	$ 773	$ 809	$ (28,935)	$ 380,529
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts payable	$ 31,912	$ 227	$ 32,139	$ 814	$ 285	$ 9	$ 20	$ (285)	$ 32,982
Accrued expenses	19,760	3,649	23,409	8,203	2,629	18	457	(11,962)	22,754
Accrued compensation and benefits	22,677	18	22,695	673	-	-	-	-	23,368
Current maturities of long-term debt	-	-	-	-		70	-	-	70
Current maturities of long-term capital lease	3,090	-	3,090	-	-	-	-	-	3,090
Refundable advances and deferred revenue	4,860	17	4,877	-	-	-	-	-	4,877
Total Current Liabilities	82,299	3,911	86,210	9,690	2,914	97	477	(12,247)	87,141
DEFERRED COMPENSATION PAYABLE	4,341	-	4,341	-	-	-	-	-	4,341
LONG-TERM DEBT	-	-	-	-	-	322	-	-	322
LONG-TERM CAPITAL LEASE	47,711	-	47,711	-	-	-	-	-	47,711
TOTAL LIABILITIES	134,351	3,911	138,262	9,690	2,914	419	477	(12,247)	139,515
NET ASSETS	242,688	7,669	250,357	6,559	100	354	332	(16,688)	241,014
TOTAL LIABILITIES AND NET ASSETS	$ 377,039	$ 11,580	$ 388,619	$ 16,249	$ 3,014	$ 773	$ 809	$ (28,935)	$ 380,529

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	CLEAR	BTMBTS	BTMM	Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 48,425	$ 223	$ 48,648	$ -	$ 430	$ 544	$ 351	$ -	$ 49,973
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	5,972	1,283	544	371	(5,015)	138,259
RESTRICTED CASH	-	-	-	1,256	-	-	-	-	1,256
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 ACTIVITIES INFORMATION
For the Year Ended September 30, 2019
(in thousands)

	NMDP	BTMB	Subtotal	BTMF	CLEAR	BTMBTS	BTMM	Eliminations	Consolidated
REVENUES AND GAINS:									
Search and procurement fees	$ 373,620	$ -	$ 373,620	$ -	$ -	$ -	$ -	$ -	$ 373,620
Federal contracts and cooperative agreements	48,143	-	48,143	-	-	-	-	-	48,143
Contributions	19,365	-	19,365	11,859	-	-	1,694	(6,662)	26,256
Other	607	107	714	-	1,625	-	-	(2,115)	224
Total Revenues and Gains	441,735	107	441,842	11,859	1,625	-	1,694	(8,777)	448,243
EXPENSES:									
Program services	361,037	644	361,681	15,257	1,601	-	1,857	(5,847)	374,549
Management and general	64,813	402	65,215	1,265	147	464	211	(1,472)	65,830
Fundraising	1,791	-	1,791	2,038	-	-	276	(1,458)	2,647
Total Expenses	427,641	1,046	428,687	18,560	1,748	464	2,344	(8,777)	443,026
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	14,094	(939)	13,155	(6,701)	(123)	(464)	(650)	-	5,217
OTHER INCOME (EXPENSES) AND OTHER CHANGES									
Loss on disposal of asset	(34)	-	(34)	-	-	-	-	-	(34)
Investment income	4,328	(1,039)	3,289	1,030	64	6	-	-	4,389
Change in unrealized appreciation on investments	2,109	-	2,109	(352)	59	-	-	-	1,816
Total Other Income and Expenses	6,403	(1,039)	5,364	678	123	6	-	-	6,171
INCREASE (DECREASE) IN NET ASSETS	20,497	(1,978)	18,519	(6,023)	-	(458)	(650)	-	11,388
Net Assets - Beginning of Year	222,191	9,647	231,838	12,582	100	62	288	(15,244)	229,626
Investment in Subsidiary	-	-	-	-	-	750	694	(1,444)	-
		-							
NET ASSETS - End of Year	$ 242,688	$ 7,669	$ 250,357	$ 6,559	$ 100	$ 354	$ 332	$ (16,688)	$ 241,014

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

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

	NMDP	BTMB	Subtotal	BTMF	CLEAR	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 (EXPENSES) AND OTHER CHANGES									
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