National Marrow Donor Program and Subsidiaries

Consolidated Financial Statements and
Additional Consolidating Information as of and for the
Years Ended September 30, 2011 and 2010, and
Independent Auditors' Report

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Marrow Donor Program
Minneapolis, Minnesota

We have audited the accompanying consolidated statements of financial position of National Marrow Donor Program and subsidiaries (the "Organization") as of September 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of the Organization. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Marrow Donor Program and subsidiaries as of September 30, 2011 and 2010, and the consolidated results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information listed in the foregoing table of contents is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the consolidated financial position and results of activities of the individual companies and is not a required part of the basic consolidated financial statements. This additional information is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

January 6, 2012

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 29,870	$4,345	$ 34,215	$ 24,106	$6,217	$ 30,323
Short-term investments (Note 4)	3		3	4		4
Receivables:						
Transplant center and other receivables — net of allowance of $50 and $312 in 2011 and 2010, respectively	39,308		39,308	31,296		31,296
Contract receivables	3,853		3,853	1,803		1,803
Pledges receivable (Note 2)		193	193		415	415
Prepaid expenses and other	3,663		3,663	3,399		3,399
Total current assets	76,697	4,538	81,235	60,608	6,632	67,240
LONG-TERM INVESTMENTS (Note 4)	92,821		92,821	110,022		110,022
PROPERTY AND EQUIPMENT (Note 3)	35,624		35,624	16,499		16,499
DEFERRED COMPENSATION FUNDS (Note 8)	2,325		2,325	1,833		1,833
OTHER ASSETS (Note 2)	47	272	319	37	183	220
TOTAL	$207,514	$4,810	$212,324	$188,999	$6,815	$195,814
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	$ 10,024	$ -	$ 10,024	$ 13,176	$ -	$ 13,176
Accrued expenses	37,774		37,774	29,080		29,080
Accrued compensation and benefits	8,988		8,988	9,108		9,108
Refundable advances (Note 2)	4,759		4,759	3,851		3,851
Total current liabilities	61,545	-	61,545	55,215	-	55,215
DEFERRED COMPENSATION PAYABLE (Note 8)	2,323		2,323	1,826		1,826
LONG-TERM DEBT (Note 5)	67,383		67,383	67,515		67,515
COMMITMENTS AND CONTINGENCIES (Note 10)						
NET ASSETS	76,263	4,810	81,073	64,443	6,815	71,258
TOTAL	$207,514	$4,810	$212,324	$188,999	$6,815	$195,814

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS:						
Search and procurement fees	$270,269	$ -	$270,269	$236,353	$ -	$236,353
Federal contracts and cooperative agreements	42,230		42,230	44,530		44,530
Contributions	7,337	2,708	10,045	6,332	1,609	7,941
Investment income	1,533		1,533	1,301		1,301
Other	730		730	755		755
Net assets released from restrictions	4,713	(4,713)	-	4,832	(4,832)	-
Total revenues and gains	326,812	(2,005)	324,807	294,103	(3,223)	290,880
EXPENSES:						
Program services	277,610		277,610	264,922		264,922
Management and general	33,020		33,020	26,563		26,563
Fundraising	2,868		2,868	1,219		1,219
Total expenses	313,498	-	313,498	292,704	-	292,704
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	13,314	(2,005)	11,309	1,399	(3,223)	(1,824)
CHANGE IN UNREALIZED (DEPRECIATION) APPRECIATION ON INVESTMENTS	(1,494)		(1,494)	1,801		1,801
INCREASE (DECREASE) IN NET ASSETS	11,820	(2,005)	9,815	3,200	(3,223)	(23)
NET ASSETS — Beginning of year	64,443	6,815	71,258	61,243	10,038	71,281
NET ASSETS — End of year	$ 76,263	$ 4,810	$ 81,073	$ 64,443	$ 6,815	$ 71,258

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$151,300	$ 2,851	$ -	$ 41	$154,192	$ -	$ -	$ -	$154,192
Donor search services	21,695			907	22,602			-	22,602
Donor recruitment services	59	19,262			19,321		1,757	1,757	21,078
Funded programs	2,517	10,007	11,732	386	24,642	202		202	24,844
Compensation	10,917	2,154	8,118	5,003	26,192	12,330	299	12,629	38,821
Benefits	2,730	523	2,036	1,268	6,557	3,084	68	3,152	9,709
Travel	551	133	338	472	1,494	921	46	967	2,461
Professional development	58	18	59	50	185	221	18	239	424
Occupancy	377	369	201	176	1,123	4,653	28	4,681	5,804
Printing and copying	53	80	24	495	652	209	325	534	1,186
Postage and shipping	56	36	14	149	255	84	3	87	342
Telecommunications	326	87	104	99	616	293	1	294	910
Information processing	1,036	396	398	407	2,237	899		899	3,136
Professional fees	4,399	2,273	3,079	4,931	14,682	4,965	235	5,200	19,882
Office and miscellaneous	213	155	161	558	1,087	5,114	88	5,202	6,289
Scientific activities	16	89	1,663		1,768	45		45	1,813
Research grants			5		5			-	5
Total	$196,303	$38,433	$27,932	$14,942	$277,610	$33,020	$2,868	$35,887	$313,498

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(In thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$133,219	$ 533	$ 160	$ -	$133,912	$ -	$ -	$ -	$133,912
Donor search services	23,968			605	24,573			-	24,573
Donor recruitment services	2,369	20,732		1,057	24,158		258	258	24,416
Funded programs	4,431	9,705	9,484		23,620			-	23,620
Compensation	10,098	3,774	6,535	5,034	25,441	10,169	388	10,557	35,998
Benefits	2,590	937	1,643	1,275	6,445	2,747	89	2,836	9,281
Travel	604	295	438	494	1,831	721	48	769	2,600
Professional development	80	43	79	58	260	179		179	439
Occupancy	230	183	87	141	641	4,286	38	4,324	4,965
Printing and copying	164	132	20	648	964	152	11	163	1,127
Postage and shipping	95	26	23	193	337	85	1	86	423
Telecommunications	320	207	110	104	741	163		163	904
Information processing	1,033	781	296	289	2,399	367		367	2,766
Professional fees	3,311	3,653	2,646	4,555	14,165	3,206	28	3,234	17,399
Office and miscellaneous	90	70	407	365	932	4,488	358	4,846	5,778
Scientific activities	70	28	3,979		4,077			-	4,077
Research grants			426		426			-	426
Total	$182,672	$41,099	$26,333	$14,818	$264,922	$26,563	$1,219	$27,782	$292,704

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 9,815	$ (23)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization/accretion	4,508	3,788
Gain on disposal of property and equipment	(1)	(4)
Amortization of investment discount		19
Net realized and unrealized appreciation on investments	1,325	(1,952)
Changes in other operating elements:		
Receivables	(9,657)	4,639
Prepaid and other assets	(274)	(1,304)
Accounts payable	(4,269)	3,295
Accrued expenses	8,574	2,080
Refundable advances	908	1,702
Deferred compensation payable	497	552
Net cash provided by operating activities	11,426	12,792
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(28,715)	(83,639)
Sales/maturities of investments	44,320	8,645
Purchase of property, computer software, and equipment	(22,647)	(9,442)
Proceeds from sale of property and equipment		5
Purchases of deferred compensation funds	(535)	(577)
Sales of deferred compensation funds	43	26
Net cash used in investing activities	(7,534)	(84,982)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt		68,285
Payment of long-term debt issuance costs		(748)
Net cash provided by financing activities	-	67,537
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,892	(4,653)
CASH AND CASH EQUIVALENTS — Beginning of year	30,323	34,976
CASH AND CASH EQUIVALENTS — End of year	$ 34,215	$ 30,323
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES — Purchase of property and equipment funded through accounts payable and accrued expenses	$ 3,036	$ 1,918

See notes to consolidated financial statements.

1. ORGANIZATION AND PURPOSE

Organization and Description of Business — National Marrow Donor Program (the "Program" or NMDP) was established in November 1986 through a collaborative effort of the American Association of Blood Banks, the American National Red Cross, and the Council of Community Blood Centers to improve the efficiency and effectiveness of stem cell transplants between unrelated parties. The Program receives revenue for facilitating transplants within the United States of America and internationally through an interactive network of transplant centers (hospitals that care for patients); donor centers (which educate, recruit, type tissue, and manage volunteer donors); collection centers (hospitals that collect stem cells from donors); and recruitment groups (which help recruit volunteer donors). The Program's coordinating center in Minneapolis conducts computer searches of the registry and provides administrative and operational support to the network.

The Program receives additional annual funding through a contract with the Department of Health Resources and Services Administration (HRSA) to cover qualified expenses, as defined. The Program also obtains funding under cooperative agreements with the Department of the Navy (the "Navy") for certain blood-typing and research costs and receives contributions from individuals and businesses to pay for donor-typing costs. Additionally, the Program receives funding through a cooperative agreement with the Centers for Disease Control and Prevention (CDC) for certain costs related to providing information and education for patients. The Program also receives funding through agreements with the Medical College of Wisconsin, Inc. (MCW) for qualified expenditures, as defined, in conjunction with work performed on the research collaborations.

Be The Match Foundation (BTMF), located in Minneapolis, Minnesota, is a nonprofit corporation organized to engage in, advance, promote, and administer charitable, educational, scientific, and literary activities for the purpose of supporting the mission and goals of the Program.

The consolidated financial statements include the accounts of the Program and its wholly owned subsidiary, BTMF (collectively, the "Organization"), after elimination of intercompany accounts and transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The consolidated financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents — Investments acquired with original maturities of three months or less at the of purchase and are readily convertible to cash are reported as cash equivalents and are carried at cost, which approximates fair value.

Investments and Investment Income — Short-term investments consist of investments with maturities exceeding three months but less than one year, while long-term investments consist of investments with maturities greater than one year or investments with maturities less than one year that are not intended to be liquidated over the next 12 months. All investments are stated at fair value, as determined by quoted market prices. 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.

The Organization invests in various securities, including mutual funds and corporate debt instruments. 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 BTMF are reported at fair value at the date the promise is received. Conditional promises to give and intentions 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, 2011 and 2010, there was no allowance for bad debt against the pledges receivable recorded. Pledges due — in greater than one year are recorded as other assets in the consolidated statements of financial position.

As of September 30, 2011 and 2010, the expected future cash receipts of pledges receivable are as follows (in thousands):

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Pledges due — in less than one year	$ -	$193	$193	$ -	$415	$415
Pledges due — in greater than one year			-		183	183
	$ -	$193	$193	$ -	$598	$598

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 $272,000 and $0 as of September 30, 2011 and 2010, 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. Leasehold improvements are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets.

Capitalized Software Costs — The Organization capitalizes software development costs incurred in upgrading computer software and begins capitalization of these costs after technological feasibility has been determined. The capitalized software, 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 each series of debt are deferred and amortized/accreted over the related terms using the straight-line method, which approximates the effective interest method. Accumulated amortization of premiums was $285,656 and $40,918 at September 30, 2011 and 2010, respectively. Accumulated accretion of discounts was $74,421 and $10,661 at September 30, 2011 and 2010, respectively.

Long-Term Debt Issuance Costs — Debt issuance costs associated with each series of debt are capitalized and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Accumulated amortization of debt issuance costs was $58,091 and $8,321 at September 30, 2011, and 2010, respectively.

Accrued Medical Liabilities — The Program procures medical services from third-party health practitioners and clinics and pays for these services based on the Program'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 Program 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 Program's estimated liability for unpaid medical services totaled approximately $25 million and $21 million at September 30, 2011 and 2010, respectively. Actual results could differ from these estimates.

The liability for unpaid medical services is included in accrued expenses in the consolidated statements of financial position.

Net Assets — Net assets, revenues and gains, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets that are not subject to donor-imposed stipulations are classified as unrestricted net assets, while net assets subject to donor-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 donor 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 donor restriction expires in the same year as funds are received are classified as unrestricted net assets in the consolidated statements of activities. Permanently restricted funds are those funds subject to donor-imposed restrictions, which require that the funds be maintained by the Organization in perpetuity. In the absence of donor specifications that income and gains on donated funds be restricted, such income and gains are reported as income from unrestricted net assets. The Organization had no permanently restricted net assets as of September 30, 2011 and 2010.

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 and intentions 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 HRSA, CDC, and MCW contracts are recognized as revenue as qualified expenses are incurred and billed to HRSA, CDC, and MCW. 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 — A substantial number of volunteers have donated significant amounts of time in support of the Organization's services and administration. However, no amounts related to these services have been reflected in the consolidated financial statements since no objective basis is available to measure their value. 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 cost of providing the Organization's various programs and supporting services has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 has reviewed its tax positions for all open tax years and has concluded that the Organization's not-for-profit tax positions have no impact on the consolidated financial statements.

Derivative Instruments and Hedging Activities — Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and determined that it has no free-standing or embedded derivatives.

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 expected net cash flows expected to be provided by operating activities of the business or related products. 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. There were no impairment losses taken in 2011 and 2010.

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 allowance for receivables, medical accruals, and patient assistance 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, 2011 through January 6, 2012, the date the consolidated financial statements were available for issuance. The Organization is not aware of any material subsequent events that would require recognition or disclosure in the 2011 consolidated financial statements.

Recent Accounting Pronouncements — In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement*. ASU No. 2011-04 changes the wording used to describe the requirements for measuring fair value and for disclosing information about fair value. ASU No. 2011-04 is effective for the Organization for the year ended September 30, 2012. The Organization is currently evaluating the impact of ASU No. 2011-04 on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

A summary of the cost and the related accumulated depreciation as of September 30, 2011 and 2010, is as follows (in thousands):

	2011	2010
Furniture and equipment	$ 22,806	$ 25,145
Leasehold improvements	4,107	3,403
Software	8,406	43
Work in process	16,789	5,193
Total property and equipment	52,108	33,784
Less accumulated depreciation and amortization	16,484	17,285
Property and equipment — net	$ 35,624	$ 16,499

Work in process includes the acquisition, development, installation, and implementation of computer hardware, database licenses, application licenses, and packaged and customized computer software. The Organization's depreciation and amortization expense during the years ended September 30, 2011 and 2010, was $4,640,000 and $3,810,000, respectively.

4. INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

The types of investments held as of September 30, 2011 and 2010, were as follows (in thousands):

	2011	2010
Common stocks	$ 3	$ 4
Mutual funds	36,058	35,518
Money market funds	57,035	34,435
Commercial paper		40,069
	$ 93,096	$ 110,026
Reported as:		
Short-term	$ 3	$ 4
Other assets	272	
Long-term	92,821	110,022
	$ 93,096	$ 110,026

The summary of the investment return for the years ended September 30, 2011 and 2010, is as follows (in thousands):

	2011	2010
Interest income	$ 1,358	$ 1,150
Realized gain on investments	175	151
Investment income	1,533	1,301
Change in unrealized (depreciation) appreciation on investments	(1,494)	1,801
Total investment return	$ 39	$ 3,102

The carrying values of cash and cash equivalents, transplant center and other receivables, contract receivables, pledges receivable, accounts payable, accrued expenses, accrued compensation and benefits, and refundable advances approximate fair value due to their short-term nature. Marketable securities are carried at fair value.

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. Three levels are defined as follows:

Level 1 — Unadjusted quoted prices in active markets for identical instruments.

Level 2 — Quoted prices in active markets for similar instruments, quoted prices in inactive markets for identical or similar instruments, or model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 — Model-derived valuations in which one or more significant inputs are unobservable, including investment managers' own assumptions about the assumptions market participants would use to price an instrument based on the best available information.

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and 2010, by type of inputs applicable to the fair value measurements, are summarized as follows:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
As of September 30, 2011:				
Cash equivalents	$ 42,465	$ -	$ -	$ 42,465
Common stocks	3	-	-	3
Mutual funds				
Domestic equities	5,392			5,392
International equities	5,218			5,218
Fixed income	17,993			17,993
Total return	2,313			2,313
Other	4,867			4,867
Total mutual funds	35,783	-	-	35,783
Money market funds	57,038			57,038
Total investments	$ 92,824	$ -	$ -	$ 92,824
Deferred compensation funds	$ 2,325	$ -	$ -	$ 2,325
Other assets — fund held by others			$ 272	$ 272
Investments reported as:				
Short-term investments	$ 3	$ -	$ -	$ 3
Long-term investments	92,821			92,821
Total investments	$ 92,824	$ -	$ -	$ 92,824

	Fair Value			
	Level 1	Level 2	Level 3	Total
As of September 30, 2010:				
Cash equivalents	$ 36,926	$ -	$ -	$ 36,926
Common stocks	4	-	-	4
Mutual funds				
Domestic equities	5,812			5,812
International equities	6,382			6,382
Fixed income	16,101			16,101
Total return	2,298			2,298
Other	4,925			4,925
Total mutual funds	35,518	-	-	35,518
Money market funds	34,435			34,435
Commercial paper	40,069			40,069
Total investments	$ 110,026	$ -	$ -	$ 110,026
Deferred compensation funds	$ 1,833	$ -	$ -	$ 1,833
Investments reported as:				
Short-term investments	$ 4	$ -	$ -	$ 4
Long-term investments	110,022			110,022
Total investments	$ 110,026	$ -	$ -	$ 110,026

The change in fair value of the Organization's Level 3 investment for the year ended September 30, 2011, is summarized as follows:

	Fund Held by Others
Beginning fair value — October 1, 2010	$ -
Contributions	275
Change in value	(3)
Ending fair value — September 30, 2011	$ 272

5. LONG-TERM DEBT

A summary of long-term debt as of September 30, 2011 and 2010, is as follows (in thousands):

	2011	2010
Revenue Bonds — Series 2011	$ 67,640	$ 67,640
Plus Revenue Bonds — Series 2011 premiums	1,163	1,409
Less Revenue Bonds — Series 2011 discounts	730	794
Less Revenue Bonds — Series 2011 issuance costs	690	740
Total long-term debt	67,383	67,515
Less current portion of long-term debt		
Long-term portion	$ 67,383	$ 67,515

The City of Minneapolis, Minnesota, issued Revenue Bonds, National Marrow Donor Program Project — Series 2010 ("Series 2010 Bonds") on behalf of the Organization for $67,640,000 for the acquisition, development, installation, and implementation of computer hardware, database licenses, application licenses, packaged and customized computer software, and related items (the "Project"), which commenced on August 1, 2010, and is expected to be completed in 2013. The Series 2010 Bonds were issued on August 16, 2010, and have a final maturity date of August 1, 2025.

Interest rates are fixed based on the serial or term bond maturity date within the Series 2010 Bonds. Interest rates range from 4% to 5%. Interest is payable semiannually on February 1 and August 1. The Organization incurred $3,002,000 of interest expense during the year ended September 30, 2011, of which $2,751,000 was capitalized net of interest income of $251,000. The Organization incurred $375,000 of interest expense during the year ended September 30, 2010, of which $356,000 was capitalized net of interest income of $19,000.

The Series 2010 Bonds are secured by a security interest in certain tangible and intangible personal property of the Organization, subject to certain excluded property and permitted encumbrances, granted pursuant to a Security Agreement, dated August 1, 2010. The Series 2010 Bonds are also guaranteed by BTMF. This guarantee is secured by a security interest in the tangible and intangible personal property of BTMF, subject to certain excluded property, granted pursuant to a Security Agreement, dated August 1, 2010. In addition to certain nonfinancial covenants, the Organization is required to maintain a debt service coverage ratio of no less than 1.2 to 1. The debt service coverage ratio is calculated as income available for debt service for such period to the maximum annual debt service requirement for such period.

The Organization is required to maintain a reserve and a secondary reserve related to the Series 2010 Bonds. The Organization's reserve requirement is equal to the lesser of (i) 10% of the proceeds of the Series 2010 Bonds, (ii) 125% of the average annual debt service on the Series 2010 Bonds, or (iii) the maximum annual debt service with respect to the Series 2010 Bonds. The required reserve is $6,764,000 at September 30, 2011 and 2010. The Organization's required secondary reserve is $3,382,000 at September 30, 2011 and 2010. The secondary reserve is equal to 5% of the principal amount of the Series 2010 Bonds; provided, however, that the secondary reserve requirement shall be reduced to $1,691,000 if, after any full fiscal year following the completion of the Project, the debt service coverage ratio exceeds 1.50. The secondary reserve requirement shall be reduced to zero in the event the debt service coverage ratio exceeds 1.50 for any two consecutive fiscal years following the completion of the Project.

At September 30, 2011, maturities of long-term debt for each of the fiscal years ending September 30, 2012 to 2016, and thereafter, are as follows (in thousands):

Years Ended September 30	
2012	$ -
2013	
2014	4,360
2015	4,535
2016	4,720
Thereafter	53,768
Total	$ 67,383

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, 2011 and 2010, were as follows (in thousands):

	2011	**2010**
Navy cooperative agreement and grants	$ 16,114	$ 20,947
HRSA contracts	16,368	18,010
MCW contract	4,368	1,916
MCW consortium agreement	4,661	3,183
National Institute of Health contract	465	173
CDC cooperative agreement	254	301
	$ 42,230	$ 44,530

In September 2006, the HRSA awarded three contracts to the Organization with a two-year base period of performance (September 30, 2006 to September 29, 2008), and four one-year options. The first one-year option was awarded for all three contracts with a period of performance of September 30, 2008 to September 29, 2009. The second one-year option was awarded for all three contracts with a period of performance of September 30, 2009 to September 29, 2010. The third one-year option was awarded for all three contracts with a period of performance of September 30, 2010 to September 29, 2011. The fourth one-year option was awarded for all three contracts with a period of performance of September 30, 2011 to September 29, 2012. The three contracts awarded are to operate the National Bone Marrow Coordinating Center (#HHSH234200637020C), Cord Blood Coordinating Center (#HHSH234200637021C), and the Office of Patient Advocacy/Single Point of Access (#HHSH234200637018C). The three new contracts maintain the same level of funding in total as provided under the previous HRSA contract.

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 for the year. A participant is vested at 40% after two years and 100% after three years of service. The Organization's contributions to the Plan were $2,864,000 and $2,444,000 for the years ended September 30, 2011 and 2010, respectively.

8. DEFERRED COMPENSATION AND SUPPLEMENTAL BENEFITS PLANS

The Organization offers its officers, 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, 6% for senior vice presidents, and 4% for vice presidents. The Supplemental Plan is a flexible benefit plan allowing the officer to select from limited options, which include payment for individual long-term care, and the balance as a contribution into the 457(b) deferred compensation plan (above) and/or a capital accumulation account to supplement current basic and supplemental benefits. For the vice presidents, the Supplemental Plan is a flexible benefit plan allowing them to select from limited options, which includes a contribution into the 457(b) deferred compensation plan (above) and/or a capital accumulation account to supplement current basic and supplemental benefits. All Supplemental Plan participants receive life insurance. The capital accumulation account was created in accordance with applicable provisions of the Internal Revenue Code. The contributions into the capital accumulation account are subject to a two-year vesting period, with an employee election prior to the end of the first year to extend this to a five-year vesting period. If the participant remains employed by the Organization after the vesting period, the accumulated account balance within the capital accumulation account will be paid out to each plan participant. The Supplemental Plan also provides for additional life insurance up to two times salary. 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.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2011 and 2010, were available for the following purposes (in thousands):

	2011	2010
Foundation services:		
Donor recruitment	$ 2,366	$ 4,175
Patient assistance	1,289	1,640
Research	996	916
Special programs and other	159	84
Total temporarily restricted net assets	$ 4,810	$ 6,815

10. COMMITMENTS AND CONTINGENCIES

Litigation — The Organization is involved in various legal proceedings 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.

Lease Commitments — The Organization leases space under noncancelable operating leases with expiration dates through fiscal year 2016. Total rent expense under all operating lease agreements was $3,820,000 and $3,452,000 for the years ended September 30, 2011 and 2010, respectively. Rent expense is recorded within medical services and occupancy in the consolidated statements of functional expenses.

The future minimum lease payments under noncancelable operating lease agreements as of September 30, 2011, were as follows (in thousands):

Years Ending September 30	
2012	$ 3,614
2013	3,296
2014	3,100
2015	3,051
2016	804
	$ 13,865

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ADDITIONAL CONSOLIDATING INFORMATION

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
AS OF SEPTEMBER 30, 2011
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 19,941	$ 14,274	$ -	$ 34,215
Short-term investments		3		3
Receivables:				
Transplant center and other receivables	41,710		(2,402)	39,308
Contract receivables	3,853			3,853
Pledges receivable		1,627	(1,434)	193
Prepaid expenses and other	3,327	336		3,663
Total current assets	68,831	16,240	(3,836)	81,235
LONG-TERM INVESTMENTS	90,476	2,345		92,821
PROPERTY AND EQUIPMENT	35,532	92		35,624
DEFERRED COMPENSATION FUNDS	2,325			2,325
OTHER ASSETS	47	272		319
TOTAL	$ 197,211	$ 18,949	$ (3,836)	$ 212,324
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 9,893	$ 131	$ -	$ 10,024
Accrued expenses	38,334	3,276	(3,836)	37,774
Accrued compensation and benefits	8,774	214		8,988
Refundable advances	4,759			4,759
Total current liabilities	61,760	3,621	(3,836)	61,545
DEFERRED COMPENSATION PAYABLE	2,323			2,323
LONG-TERM DEBT	67,383			67,383
NET ASSETS	65,745	15,328		81,073
TOTAL	$ 197,211	$ 18,949	$ (3,836)	$ 212,324

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
AS OF SEPTEMBER 30, 2010
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 19,994	$ 10,329	$ -	$ 30,323
Short-term investments		4		4
Receivables:				
Transplant center and other receivables	33,208		(1,912)	31,296
Contract receivables	1,803			1,803
Pledges receivable		6,970	(6,555)	415
Prepaid expenses and other	3,376	23		3,399
Total current assets	58,381	17,326	(8,467)	67,240
LONG-TERM INVESTMENTS	107,700	2,322		110,022
PROPERTY AND EQUIPMENT	16,387	112		16,499
DEFERRED COMPENSATION FUNDS	1,833			1,833
OTHER ASSETS	37	183		220
TOTAL	$ 184,338	$ 19,943	$ (8,467)	$ 195,814
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 12,945	$ 2,143	$ (1,912)	$ 13,176
Accrued expenses	34,786	849	(6,555)	29,080
Accrued compensation and benefits	8,905	203		9,108
Refundable advances	3,851			3,851
Total current liabilities	60,487	3,195	(8,467)	55,215
DEFERRED COMPENSATION PAYABLE	1,826			1,826
LONG-TERM DEBT	67,515			67,515
NET ASSETS	54,510	16,748		71,258
TOTAL	$ 184,338	$ 19,943	$ (8,467)	$ 195,814

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
REVENUES AND GAINS:				
Search and procurement fees	$ 270,269	$ -	$ -	$ 270,269
Federal contracts and cooperative agreements	42,230			42,230
Contributions	1,929	13,567	(5,451)	10,045
Investment income	1,346	187		1,533
Other	730			730
Total revenues and gains	316,504	13,754	(5,451)	324,807
EXPENSES:				
Program services	267,266	12,248	(1,904)	277,610
Management and general	31,368	1,652		33,020
Fundraising	5,306	1,109	(3,547)	2,868
Total expenses	303,940	15,009	(5,451)	313,498
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	12,564	(1,255)	-	11,309
CHANGE IN UNREALIZED DEPRECIATION ON INVESTMENTS	(1,329)	(165)		(1,494)
INCREASE (DECREASE) IN NET ASSETS	11,235	(1,420)	-	9,815
NET ASSETS — Beginning of year	54,510	16,748		71,258
NET ASSETS — End of year	$ 65,745	$ 15,328	$ -	$ 81,073

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
REVENUES AND GAINS:				
Search and procurement fees	$ 236,353	$ -	$ -	$ 236,353
Federal contracts and cooperative agreements	44,530			44,530
Contributions	374	13,196	(5,629)	7,941
Investment income	1,205	96		1,301
Other	755			755
Total revenues and gains	283,217	13,292	(5,629)	290,880
EXPENSES:				
Program services	254,007	13,029	(2,114)	264,922
Management and general	24,717	1,846		26,563
Fundraising	3,773	961	(3,515)	1,219
Total expenses	282,497	15,836	(5,629)	292,704
EXCESS (DEFICIENCY) OF REVENUE AND GAINS OVER EXPENSES	720	(2,544)	-	(1,824)
CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS	1,665	136		1,801
INCREASE (DECREASE) IN NET ASSETS	2,385	(2,408)	-	(23)
NET ASSETS — Beginning of year	52,125	19,156		71,281
NET ASSETS — End of year	$ 54,510	$ 16,748	$ -	$ 71,258