National Marrow Donor Program and Subsidiary

Consolidated Financial Statements and
Additional Consolidating Information as of and for the
Years Ended September 30, 2013 and 2012, and
Independent Auditors' Report

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

TABLE OF CONTENTS

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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 financial statements of National Marrow Donor Program and Subsidiary (the "Organization), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audit 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 auditor's 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, 2013 and 2012, 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.

Report on Supplemental Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These supplemental schedules are the responsibility of the Organization's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

January 9, 2014

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013 AND 2012
(In thousands)

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 57,323	$ 3,626	$ 60,949	$ 15,442	$ 4,642	$ 20,084
Receivables:						
Transplant center and other receivables — net of allowance of $230 and $215 in 2013 and 2012, respectively	45,595		45,595	44,852		44,852
Contract receivables	3,889		3,889	3,688		3,688
Pledges receivable (Note 2)	45	32	77		28	28
Prepaid expenses and other	4,242		4,242	4,528		4,528
Total current assets	111,094	3,658	114,752	68,510	4,670	73,180
LONG-TERM INVESTMENTS (Note 4)	71,523		71,523	83,175		83,175
FUNDS HELD FOR BOND RESERVE (Notes 4 and 5	10,156		10,156	10,242		10,242
PROPERTY AND EQUIPMENT (Note 3)	71,355		71,355	60,011		60,011
DEFERRED COMPENSATION FUNDS (Note 8)	3,891		3,891	3,097		3,097
OTHER ASSETS	1,939	785	2,724	1,468	604	2,072
TOTAL	$ 269,958	$ 4,443	$ 274,401	$ 226,503	$ 5,274	$ 231,777
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	$ 27,999	$ -	$ 27,999	$ 14,020	$ -	$ 14,020
Accrued expenses	23,459		23,459	28,104		28,104
Accrued compensation and benefits	12,081		12,081	9,950		9,950
Current maturities of long-term debt (Note 5)	4,360		4,360			-
Refundable advances (Note 2)	2,351		2,351	2,630		2,630
Total current liabilities	70,250	-	70,250	54,704	-	54,704
DEFERRED COMPENSATION PAYABLE (Note 8)	3,900		3,900	3,104		3,104
LONG-TERM DEBT (Note 5)	63,351		63,351	67,891		67,891
COMMITMENTS AND CONTINGENCIES (Note 10)						
NET ASSETS	132,457	4,443	136,900	100,804	5,274	106,078
TOTAL	$ 269,958	$ 4,443	$ 274,401	$ 226,503	$ 5,274	$ 231,777

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In thousands)

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS:						
Search and procurement fees	$ 331,439	$ -	$ 331,439	$ 294,351	$ -	$ 294,351
Federal contracts and cooperative agreements	45,623		45,623	46,261		46,261
Contributions	10,712	1,992	12,704	8,556	2,851	11,407
Other	1,112		1,112	936		936
Net assets released from restrictions	2,823	(2,823)	-	2,387	(2,387)	-
Total revenues and gains	391,709	(831)	390,878	352,491	464	352,955
EXPENSES:						
Program services	316,192		316,192	297,685		297,685
Management and general	43,684		43,684	31,124		31,124
Fundraising	5,684		5,684	4,731		4,731
Total expenses	365,560	-	365,560	333,540	-	333,540
EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES	26,149	(831)	25,318	18,951	464	19,415
INVESTMENT RETURN:						
Investment income	1,945		1,945	2,379		2,379
Change in unrealized appreciation on investments	3,559		3,559	3,211		3,211
Total investment return	5,504	-	5,504	5,590	-	5,590
INCREASE (DECREASE) IN NET ASSETS	31,653	(831)	30,822	24,541	464	25,005
NET ASSETS — Beginning of year	100,804	5,274	106,078	76,263	4,810	81,073
NET ASSETS — End of year	$ 132,457	$ 4,443	$ 136,900	$ 100,804	$ 5,274	$ 106,078

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$ 175,226	$ -	$ -	$ -	$ 175,226	$ -	$ -	$ -	$ 175,226
Donor search services	13,943			545	14,488				14,488
Donor recruitment services		28,928			28,928			-	28,928
Compensation	20,039	5,126	10,683	6,332	42,180	16,880	2,344	19,224	61,404
Benefits	5,221	1,304	2,625	1,651	10,801	4,318	622	4,940	15,741
Travel	1,205	754	986	505	3,450	1,067	575	1,642	5,092
Professional development	117	28	145	73	363	287	34	321	684
Occupancy	709	464	223	147	1,543	5,321	126	5,447	6,990
Printing and copying	388	391	39	435	1,253	144	483	627	1,880
Postage and shipping	574	52	86	200	912	101	49	150	1,062
Telecommunications	141	43	30	17	231	844	33	877	1,108
Information processing	67	45	82	36	230	5,354	1	5,355	5,585
Professional fees	4,489	3,067	7,678	7,490	22,724	3,245	996	4,241	26,965
Office and miscellaneous	1,444	989	666	1,307	4,406	6,123	421	6,544	10,950
Research activities			9,457		9,457				9,457
Total	$ 223,563	$ 41,191	$ 32,700	$ 18,738	$ 316,192	$ 43,684	$ 5,684	$ 49,368	$ 365,560

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(In thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	$ 158,680	$ 81	$ 203	$ 11	$ 158,975	$ -	$ -	$ -	$ 158,975
Donor search services	13,470	23		564	14,057				14,057
Donor recruitment services		31,367		27	31,394		107	107	31,501
Compensation	19,190	5,316	9,027	6,514	40,047	11,991	2,018	14,009	54,056
Benefits	4,845	1,310	2,286	1,634	10,075	3,068	517	3,585	13,660
Travel	709	698	1,029	516	2,952	1,011	413	1,424	4,376
Professional development	141	57	125	93	416	241	20	261	677
Occupancy	842	620	236	352	2,050	4,700	117	4,817	6,867
Printing and copying	484	416	58	680	1,638	161	440	601	2,239
Postage and shipping	814	73	44	192	1,123	85	43	128	1,251
Telecommunications	444	217	111	192	964	140	36	176	1,140
Information processing	1,643	938	588	938	4,107	607		607	4,714
Professional fees	3,889	3,294	6,494	5,297	18,974	3,072	870	3,942	22,916
Office and miscellaneous	569	416	360	878	2,223	6,048	150	6,198	8,421
Research activities	589	224	7,877		8,690				8,690
Total	$ 206,309	$ 45,050	$ 28,438	$ 17,888	$ 297,685	$ 31,124	$ 4,731	$ 35,855	$ 333,540

See notes to consolidated financial statements.

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 30,822	$ 25,005
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization/accretion	8,165	6,048
Loss on disposal/abandonment of property and equipment	1,065	1,064
Net realized and unrealized appreciation on investments	(3,545)	(4,230)
Changes in other operating elements:		
Receivables	(985)	(5,222)
Prepaid and other assets	(235)	(1,643)
Accounts payable	15,391	2,764
Accrued expenses	(2,550)	(7,641)
Refundable advances	(279)	(2,129)
Deferred compensation payable	796	781
Net cash provided by operating activities	48,645	14,797
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,744)	(54,896)
Sales/maturities of investments	19,838	58,206
Purchase of property, computer software, and equipment	(22,100)	(31,478)
Proceeds from sale of property and equipment	20	12
Purchases of deferred compensation funds	(836)	(812)
Sales of deferred compensation funds	42	40
Net cash used in investing activities	(7,780)	(28,928)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,865	(14,131)
CASH AND CASH EQUIVALENTS — Beginning of year	20,084	34,215
CASH AND CASH EQUIVALENTS — End of year	$ 60,949	$ 20,084
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES — Purchase of property and equipment funded through accounts payable and accrued expenses	$ 1,825	$ 3,201

See notes to consolidated financial statements.

1. ORGANIZATION AND PURPOSE

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

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

The NMDP receives additional funding through multiple contracts with the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services to cover qualified expenses, as defined. The NMDP also obtains funding under grants with the Office of Naval Research (ONR), an organization of 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. The NMDP also receives funding through agreements with the Medical College of Wisconsin, Inc. (MCW), for qualified expenditures, as defined, in conjunction with work performed on research collaborations.

The consolidated financial statements include the accounts of the NMDP and BTMF (collectively, the "Organization"), after elimination of intercompany accounts and transactions, in as much as the NMDP is the sole corporate member of BTMF, as set forth in BTMF's bylaws

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Investments and Investment Income — Long-term investments consist of investments 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.

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, 2013 and 2012, there was no allowance for uncollectibles 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, 2013 and 2012, the expected future cash receipts of pledges receivable are as follows (in thousands):

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Pledges due - less than one year	$ 45	$ 32	$ 77	$ -	$ 28	$ 28
Pledges due - greater than one year	-	-	-	-	8	8
	$ 45	$ 32	$ 77	$ -	$ 36	$ 36

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 $785,000 and $596,000 as of September 30, 2013 and 2012, 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 ten 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 $776,000 and $532,000 at September 30, 2013 and 2012, respectively. Accumulated accretion of discounts was $202,000 and $138,000 at September 30, 2013 and 2012, 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 $158,000 and $108,000 at September 30, 2013, and 2012, respectively. Unamortized debt issuance costs are included in other assets in the consolidated statements of financial position. The total unamortized debt issuance cost was $590,000 and $640,000 at September 30, 2013 and 2012, respectively.

Certain amounts in the prior periods presented have been revised to conform to the current period financial statement presentation. The fiscal 2012 presentation of the asset for unamortized debt issuance costs has been revised in the fiscal 2013 financial statements and is now included in other assets in the consolidated statements of financial position. The asset was previously classified as a contra liability and included in long-term debt in the consolidated statements of financial position. This revision has no effect on previously reported increase in net assets.

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 $25,000,000 and $23,000,000 at September 30, 2013 and 2012, respectively. Actual results could differ from these estimates.

Approximately $9,000,000 and $16,000,000 of the liability for unpaid medical services is included in accounts payable and accrued expenses in the consolidated statements of financial position as of September 30, 2013, respectively. The liability for unpaid medical services as of September 30, 2012 was 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, 2013 and 2012.

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, Centers for Disease Control and Prevention (CDC), National Institute of Health (NIH) and MCW contracts are recognized as revenue as qualified expenses are incurred and billed to HRSA, CDC, NIH, 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 — Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, or (c) would otherwise be purchased by the organization. A substantial number of volunteers have donated significant time to the Organization. However, no amounts related to these services have been reflected in the consolidated financial statements since the recognition criteria was not met. Donors are not reimbursed for donation of their stem cells, and therefore, no amounts relative to stem cell donations have been reflected in the consolidated financial statements.

Functional Allocation of Expenses — The cost of providing the Organization's various programs, including medical services, recruitment, research, public awareness and supporting services has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 FASB 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. Although no impairment losses were recorded in fiscal 2013 and 2012, the Program did record an abandonment charge of $1,074,000 and $851,000 in fiscal 2013 and 2012, respectively, related to the write-off of previously recorded work in process costs.

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, 2013 through January 9, 2014, the date the consolidated financial statements were issued. 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 will be the new headquarters of the Organization with an anticipated move-in date of January 2016. The term of the lease is fifteen years with cumulative base rent payments approximating $84,000,000. The Organization has the option to extend the lease term for three additional periods of seven years each. The Organization is finalizing its analysis of capital or operating treatment of the lease.

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. The ASU also requires additional disclosures for nonpublic entities to provide quantitative information about significant unobservable inputs used for all Level 3 measurements and a description of the valuation process used. ASU No. 2011-04 was effective for the Organization for the year ended September 30, 2013. The adoption of the ASU 2011-04 did not have a material impact on the Organization's consolidated financial statements and is reflected in Note 4.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210), Disclosure about Offsetting Assets and Liabilities,* requiring an entity to enhance disclosures about offsetting (netting) assets and liabilities and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 is effective for the Organization for the year ending September 30, 2014. The Organization does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

In October 2013, the FASB issued ASU No. 2012-05, *Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, requiring a not-for-profit to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets and were converted nearly immediately into cash. ASU 2012-05 is effective for the Organization for the year ending September 30, 2014. The Organization does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*, requiring an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date and to disclose the nature, amounts, and other information about these obligations. ASU No. 2013-04 is effective for the Organization for the year ending September 30, 2015. The Organization does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-06, *Not for Profit Entities (Topic 958), Services Received from Personnel of an Affiliate*, requiring a not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit. ASU No. 2013-06 is effective for the Organization for the year ending September 30, 2015. The Organization does not believe the adoption of the new guidance will have a material impact on the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

A summary of the cost of property and equipment and the related accumulated depreciation and amortization as of September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Furniture and equipment	$ 20,765	$ 23,755
Leasehold improvements	5,188	4,215
Software	62,627	17,816
Work in process	6,856	33,928
Total property and equipment	95,436	79,714
Less accumulated depreciation and amortization	(24,081)	(19,703)
Property and equipment — net	$ 71,355	$ 60,011

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, 2013 and 2012, was $8,295,000 and $6,180,000, respectively, and is recorded in office and miscellaneous in the consolidated statements of functional expenses.

4. INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

The types of investments held as of September 30, 2013 and 2012, were as follows (in thousands):

	2013	2012
Mutual funds	$ 67,925	$ 62,517
Money market funds	13,754	30,900
	$ 81,679	$ 93,417
Reported as:		
Long-term investments	$ 71,523	$ 83,175
Funds held for bond reserve	10,156	10,242
	$ 81,679	$ 93,417

The summary of the investment return for the years ended September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Interest income, net	$ 1,959	$ 1,359
Realized (loss) gain on investments	(14)	1,020
Investment income	1,945	2,379
Change in unrealized appreciation on investments	3,559	3,211
Total investment return	$ 5,504	$ 5,590

Interest income is net of fees of $55,000 and $35,000 for the years ended September 30, 2013 and 2012, respectively. The change in unrealized appreciation on investments relates to the investments types disclosed above and the fund held by others at the Minneapolis Foundation.

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. Long-term debt is carried at carrying value, which approximates fair value. The estimated fair value of long-term debt is based on Level 2 market assumptions. 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. The 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.

Asset Valuation Techniques — Mutual funds are valued at the closing price reported in the active market in which the individual funds 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.

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 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, 2013 and 2012.

Transfers Between Levels — The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended, September 30, 2013 and 2012, there were no transfers between levels.

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and 2012, by type of inputs applicable to the fair value measurements, are summarized as follows:

	Fair Value			
September 30, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds	$ 13,754	$ -	$ -	$ 13,754
Mutual funds:				
Domestic equities	32,153	-	-	32,153
International equities	11,208	-	-	11,208
Fixed income	21,893	-	-	21,893
Other	2,671	-	-	2,671
Total mutual funds	67,925	-	-	67,925
Total investments	$ 81,679	$ -	$ -	$ 81,679
Deferred compensation funds	$ 3,891	$ -	$ -	$ 3,891
Other assets — fund held by others	$ -	$ -	$ 785	$ 785

September 30, 2012	Fair Value Level 1	Level 2	Level 3	Total
Money market funds	$ 30,900	$ -	$ -	$ 30,900
Mutual funds:				
Domestic equities	26,924	-	-	26,924
International equities	9,261	-	-	9,261
Fixed income	21,105	-	-	21,105
Total return	2,615	-	-	2,615
Other	2,612	-	-	2,612
Total mutual funds	62,517	-	-	62,517
Total investments	$ 93,417	$ -	$ -	$ 93,417
Deferred compensation funds	$ 3,097	$ -	$ -	$ 3,097
Other assets — fund held by others	$ -	$ -	$ 596	$ 596

The change in fair value of the Organization's Level 3 investment for the years ended September 30, 2013 and 2012, is summarized as follows:

	2013	2012
Beginning fair value — October 1	$ 596	$ 272
Contributions	102	268
Fees	(5)	(1)
Unrealized gains	92	57
Ending fair value — September 30	$ 785	$ 596

Quantitative Information about Significant Unobservable Inputs – The Level 3 investment is funds held by the Minneapolis Foundation in the long-term growth investment strategy option. Substantial portions of the underlying assets in this option are measured at fair value using Level 1 and Level 2 inputs.

5. LONG-TERM DEBT

A summary of long-term debt as of September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Revenue Bonds — Series 2010	$ 67,640	$ 67,640
Plus Revenue Bonds — Series 2010 premiums	673	917
Less Revenue Bonds — Series 2010 discounts	(602)	(666)
Total debt	67,711	67,891
Less current maturities of long-term debt	(4,360)	-
Long-term portion	$ 63,351	$ 67,891

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 2014. 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 $2,937,000 of interest expense during the year ended September 30, 2013, of which $2,929,000 was capitalized net of interest income of $8,000. The Organization incurred $3,037,000 of interest expense during the year ended September 30, 2012, of which $2,934,000 was capitalized net of interest income of $103,000.

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 was in compliance with the debt service coverage ratio at September 30, 2013 and 2012.

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, 2013 and 2012. The Organization's required secondary reserve is $3,382,000 at September 30, 2013 and 2012. 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, 2013, maturities of long-term debt for each of the fiscal years ending September 30, 2014 to 2018, and thereafter, are as follows (in thousands):

Years Ending September 30	
2014	$ 4,360
2015	4,535
2016	4,720
2017	4,955
2018	5,200
Thereafter	43,870
Subtotal	67,640
Premiums and discounts, net	71
Total	$ 67,711

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, 2013 and 2012, were as follows (in thousands):

	2013	**2012**
Navy grants	$ 19,916	$ 18,817
HRSA contracts	17,410	17,461
MCW Subaward Agreements — BMTCTN	4,352	5,757
MCW Subaward Agreements — other	2,832	3,089
NIH Agreements	1,113	1,102
CDC cooperative agreement	-	35
	$ 45,623	$ 46,261

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 fourth one-year option was awarded for all three contracts with a period of performance of September 30, 2011 to September 29, 2012.

In September 2012, the HRSA awarded three contracts to the Organization with a one-year base period of performance and four one-year options. The three contracts awarded are to operate the Bone Marrow Coordinating Center (#HHSH250201200024C), Cord Blood Coordinating Center (#HHSH250201200018C) and the Office of Patient Advocacy/Single Point of Access (#HHSH250201200017C) with a base period of performance of September 30, 2012 to September 29, 2013 for all three contracts. The first one-year option was awarded for all three contracts with a period of performance of September 30, 2013 to September 29, 2014.

7. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan (the "Retirement Plan") for all employees. Contributions to the Retirement Plan are based on 6% of participant gross wages, plus an additional 5.7% of a participant's gross wages in excess of the maximum FICA taxable wage base up to $250,000 and $245,000 for the years ended September 30, 2013 and 2012, respectively. A participant is vested at 40% after two years and 100% after three years of service. The Organization's contributions to the Retirement Plan were $3,445,000 and $2,940,000 for the years ended September 30, 2013 and 2012, 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 and senior vice presidents, and 4% for vice presidents. The Supplemental Plan is a flexible benefit plan allowing the Supplemental Plan 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. The after-tax contributions into the executive savings plan accumulate tax-free and may be distributed without taxation on gains. Contributions will result in current income taxation; plan balances are personally owned immediately and are not subject to a risk of forfeiture. The Supplemental Plan also provides for additional life insurance up to $750,000. 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, 2013 and 2012, were available for the following purposes (in thousands):

	2013	2012
Foundation:		
Donor recruitment	$ 2,274	$ 2,755
Patient assistance	789	1,228
Research	1,270	1,197
Special programs and other	110	94
Total temporarily restricted net assets	$ 4,443	$ 5,274

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 2018. Total rent expense under all operating lease agreements was $3,969,000 and $3,973,000 for the years ended September 30, 2013 and 2012, 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, 2013, were as follows (in thousands):

Years Ending September 30	
2014	$ 3,786
2015	3,707
2016	1,158
2017	123
2018	34
	$ 8,808

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ADDITIONAL CONSOLIDATING INFORMATION

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
AS OF SEPTEMBER 30, 2013
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 52,319	$ 8,630	$ -	$ 60,949
Receivables:				
Transplant center and other receivables	46,298	60	(763)	45,595
Contract receivables	3,889			3,889
Pledges receivable		505	(428)	77
Prepaid expenses and other	4,223	19		4,242
Total current assets	106,729	9,214	(1,191)	114,752
LONG-TERM INVESTMENTS	59,505	12,018		71,523
FUNDS HELD FOR BOND RESERVE	10,156			10,156
PROPERTY AND EQUIPMENT	71,314	41		71,355
DEFERRED COMPENSATION FUNDS	3,891			3,891
OTHER ASSETS	1,938	786		2,724
TOTAL	$ 253,533	$ 22,059	$ (1,191)	$ 274,401
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 27,690	$ 309	$ -	$ 27,999
Accrued expenses	23,165	1,485	(1,191)	23,459
Accrued compensation and benefits	11,781	300		12,081
Current maturities of long-term debt	4,360			4,360
Refundable advances	2,351			2,351
Total current liabilities	69,347	2,094	(1,191)	70,250
DEFERRED COMPENSATION PAYABLE	3,900			3,900
LONG-TERM DEBT	63,351			63,351
NET ASSETS	116,935	19,965		136,900
TOTAL	$ 253,533	$ 22,059	$ (1,191)	$ 274,401

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
AS OF SEPTEMBER 30, 2012
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 13,204	$ 6,880	$ -	$ 20,084
Receivables:				
Transplant center and other receivables	44,909	15	(72)	44,852
Contract receivables	3,688			3,688
Pledges receivable		1,138	(1,110)	28
Prepaid expenses and other	4,520	8		4,528
Total current assets	66,321	8,041	(1,182)	73,180
LONG-TERM INVESTMENTS	72,152	11,023		83,175
FUNDS HELD FOR BOND RESERVE	10,242			10,242
PROPERTY AND EQUIPMENT	59,943	68		60,011
DEFERRED COMPENSATION FUNDS	3,097			3,097
OTHER ASSETS	1,467	605		2,072
TOTAL	$ 213,222	$ 19,737	$ (1,182)	$ 231,777
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 13,862	$ 158	$ -	$ 14,020
Accrued expenses	28,318	968	(1,182)	28,104
Accrued compensation and benefits	9,743	207		9,950
Refundable advances	2,630			2,630
Total current liabilities	54,553	1,333	(1,182)	54,704
DEFERRED COMPENSATION PAYABLE	3,104			3,104
LONG-TERM DEBT	67,891			67,891
NET ASSETS	87,674	18,404		106,078
TOTAL	$ 213,222	$ 19,737	$ (1,182)	$ 231,777

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
REVENUES AND GAINS:				
Search and procurement fees	$ 331,439	$ -	$ -	$ 331,439
Federal contracts and cooperative agreements	45,623			45,623
Contributions	9,430	14,278	(11,004)	12,704
Other	1,102	10		1,112
Total revenues and gains	387,594	14,288	(11,004)	390,878
EXPENSES:				
Program services	314,097	9,966	(7,871)	316,192
Management and general	43,664	1,984	(1,964)	43,684
Fundraising	4,989	1,864	(1,169)	5,684
Total expenses	362,750	13,814	(11,004)	365,560
EXCESS OF REVENUES AND GAINS OVER EXPENSES	24,844	474	-	25,318
INVESTMENT RETURN:				
Investment income	1,491	454		1,945
Change in unrealized appreciation	2,926	633		3,559
Total investment return	4,417	1,087	-	5,504
INCREASE IN NET ASSETS	29,261	1,561	-	30,822
NET ASSETS — Beginning of year	87,674	18,404	-	106,078
NET ASSETS — End of year	$ 116,935	$ 19,965	$ -	$ 136,900

NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(In thousands)

	NMDP	BTMF	Eliminations	Consolidated
REVENUES AND GAINS:				
Search and procurement fees	$ 294,351	$ -	$ -	$ 294,351
Federal contracts and cooperative agreements	46,261			46,261
Contributions	7,718	13,890	(10,201)	11,407
Other	936			936
Total revenues and gains	349,266	13,890	(10,201)	352,955
EXPENSES:				
Program services	296,662	8,602	(7,579)	297,685
Management and general	31,117	1,629	(1,622)	31,124
Fundraising	4,412	1,319	(1,000)	4,731
Total expenses	332,191	11,550	(10,201)	333,540
EXCESS OF REVENUES AND GAINS OVER EXPENSES	17,075	2,340	-	19,415
INVESTMENT RETURN:				
Investment income	2,222	157		2,379
Change in unrealized appreciation on investments	2,632	579		3,211
Total investment return	4,854	736	-	5,590
INCREASE IN NET ASSETS	21,929	3,076	-	25,005
NET ASSETS — Beginning of year	65,745	15,328	-	81,073
NET ASSETS — End of year	$ 87,674	$ 18,404	$ -	$ 106,078