# NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

Minneapolis, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2015 and 2014

# NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARIES

## TABLE OF CONTENTS

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# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of National Marrow Donor Program and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

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

## *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Marrow Donor Program and Subsidiaries as of September 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Consolidating Information*

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

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
January 6, 2016

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of September 30, 2015 and 2014
(in thousands)

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| **ASSETS** | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | $ 23,411 | $ 3,907 | $ 27,318 | $ 55,839 | $ 3,063 | $ 58,902 |
| Short-term investments | 15,000 | | 15,000 | | | - |
| Receivables: | | | | | | |
| Transplant center and other receivables - net of allowance of $150 and $170 in 2015 and 2014, respectively | 47,246 | | 47,246 | 43,552 | | 43,552 |
| Contract receivables | 4,688 | | 4,688 | 5,203 | | 5,203 |
| Pledges receivable (Note 2) | 257 | 26 | 283 | | 213 | 213 |
| Prepaid expenses and other | 5,153 | | 5,153 | 5,189 | | 5,189 |
| Total Current Assets | 95,755 | 3,933 | 99,688 | 109,783 | 3,276 | 113,059 |
| LONG-TERM INVESTMENTS (Note 4) | 88,739 | 1,152 | 89,891 | 89,998 | | 89,998 |
| FUNDS HELD FOR BOND RESERVE (Notes 4 and 5) | - | | - | 10,157 | | 10,157 |
| PROPERTY AND EQUIPMENT (Note 3) | 70,225 | | 70,225 | 68,544 | | 68,544 |
| DEFERRED COMPENSATION FUNDS (Note 8) | 2,676 | | 2,676 | 2,457 | | 2,457 |
| OTHER ASSETS | 1,698 | 1,027 | 2,725 | 1,708 | 875 | 2,583 |
| **TOTAL ASSETS** | **$ 259,093** | **$ 6,112** | **$ 265,205** | **$ 282,647** | **$ 4,151** | **$ 286,798** |
| **LIABILITIES AND NET ASSETS** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | $ 28,567 | $ - | $ 28,567 | $ 24,183 | $ - | $ 24,183 |
| Accrued expenses | 18,243 | | 18,243 | 22,312 | | 22,312 |
| Accrued compensation and benefits | 13,897 | | 13,897 | 13,605 | | 13,605 |
| Current maturities of long-term debt (Note 5) | 5,853 | | 5,853 | 4,535 | | 4,535 |
| Refundable advances and deferred revenue (Note 2) | 6,678 | | 6,678 | 6,169 | | 6,169 |
| Total Current Liabilities | 73,238 | - | 73,238 | 70,804 | - | 70,804 |
| DEFERRED COMPENSATION PAYABLE (Note 8) | 2,680 | | 2,680 | 2,460 | | 2,460 |
| LONG-TERM DEBT (Note 5) | 24,789 | | 24,789 | 58,643 | | 58,643 |
| **TOTAL LIABILITIES** | **100,707** | **-** | **100,707** | **131,907** | **-** | **131,907** |
| NET ASSETS | 158,386 | 6,112 | 164,498 | 150,740 | 4,151 | 154,891 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 259,093** | **$ 6,112** | **$ 265,205** | **$ 282,647** | **$ 4,151** | **$ 286,798** |

See accompanying notes to consolidated financial statements.

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Years Ended September 30, 2015 and 2014
(in thousands)

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| **REVENUES AND GAINS:** | | | | | | |
| Search and procurement fees | $ 339,318 | $ - | $ 339,318 | $ 330,905 | $ - | $ 330,905 |
| Federal contracts and cooperative agreements | 43,971 | | 43,971 | 43,748 | | 43,748 |
| Contributions | 11,527 | 857 | 12,384 | 9,335 | 1,898 | 11,233 |
| Other | 1,033 | | 1,033 | 968 | | 968 |
| Net assets released from restrictions | 1,767 | (1,767) | - | 2,190 | (2,190) | - |
| Total Revenues and Gains | 397,616 | (910) | 396,706 | 387,146 | (292) | 386,854 |
| **EXPENSES:** | | | | | | |
| Program services | 333,400 | | 333,400 | 319,799 | | 319,799 |
| Management and general | 41,968 | | 41,968 | 47,693 | | 47,693 |
| Fundraising | 5,174 | | 5,174 | 5,357 | | 5,357 |
| Total Expenses | 380,542 | - | 380,542 | 372,849 | - | 372,849 |
| **EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES** | 17,074 | (910) | 16,164 | 14,297 | (292) | 14,005 |
| **OTHER INCOME (EXPENSES) AND OTHER CHANGES** | | | | | | |
| Gain (Loss) on disposal of asset | 15 | | 15 | (3,184) | | (3,184) |
| Loss on debt extinguishment | (6,446) | | (6,446) | | | - |
| Investment income | 2,529 | | 2,529 | 3,370 | | 3,370 |
| Change in unrealized appreciation (depreciation) on investments | (2,610) | (45) | (2,655) | 3,800 | | 3,800 |
| Reclassifications and redesignations | (2,916) | 2,916 | - | | | - |
| Total Other Income (Expenses) and Other Changes | (9,428) | 2,871 | (6,557) | 3,986 | - | 3,986 |
| **INCREASE (DECREASE) IN NET ASSETS** | **7,646** | **1,961** | **9,607** | **18,283** | **(292)** | **17,991** |
| Net Assets - Beginning of Year | 150,740 | 4,151 | 154,891 | 132,457 | 4,443 | 136,900 |
| **NET ASSETS - End of Year** | **$ 158,386** | **$ 6,112** | **$ 164,498** | **$ 150,740** | **$ 4,151** | **$ 154,891** |

See accompanying notes to consolidated financial statements.

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2015
(in thousands)

| | Program Services | | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Medical Services | Recruitment | Research | Public Awareness | Total | Management and General | Fundraising | Total | Total |
| Medical services | $ 188,689 | $ - | $ - | $ - | $ 188,689 | $ - | $ - | $ - | $ 188,689 |
| Donor recruitment services | - | 25,535 | - | - | 25,535 | - | - | - | 25,535 |
| Compensation | 24,296 | 9,480 | 11,710 | 8,486 | 53,972 | 17,035 | 2,246 | 19,281 | 73,253 |
| Benefits | 6,804 | 2,407 | 3,183 | 2,048 | 14,442 | 4,351 | 378 | 4,729 | 19,171 |
| Professional fees | 4,206 | 1,673 | 5,539 | 5,078 | 16,496 | 2,834 | 1,148 | 3,982 | 20,478 |
| Travel | 1,289 | 671 | 914 | 700 | 3,574 | 787 | 367 | 1,154 | 4,728 |
| Professional development | 197 | 80 | 104 | 83 | 464 | 254 | 15 | 269 | 733 |
| Occupancy | 865 | 659 | 155 | 208 | 1,887 | 5,428 | 128 | 5,556 | 7,443 |
| Telecommunications | 217 | 168 | 167 | 223 | 775 | 426 | - | 426 | 1,201 |
| Information processing | 1,066 | 1,061 | 1,077 | 1,414 | 4,618 | 2,506 | - | 2,506 | 7,124 |
| Printing and copying | 354 | 325 | 45 | 292 | 1,016 | 126 | 452 | 578 | 1,594 |
| Postage and shipping | 507 | 178 | 70 | 174 | 929 | 75 | 44 | 119 | 1,048 |
| Depreciation | 3,244 | 2,760 | 1,835 | 2,447 | 10,286 | 3,646 | - | 3,646 | 13,932 |
| Interest expense | 18 | 15 | 9 | 12 | 54 | 3,505 | - | 3,505 | 3,559 |
| Office and miscellaneous | 351 | 148 | 67 | 954 | 1,520 | 995 | 396 | 1,391 | 2,911 |
| Research activities | - | - | 9,143 | - | 9,143 | - | - | - | 9,143 |
| **Total Expenses** | **$ 232,103** | **$ 45,160** | **$ 34,018** | **$ 22,119** | **$ 333,400** | **$ 41,968** | **$ 5,174** | **$ 47,142** | **$ 380,542** |

See accompanying notes to consolidated financial statements.

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2014
(in thousands)

| | Program Services | | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Medical Services | Recruitment | Research | Public Awareness | Total | Management and General | Fundraising | Total | Total |
| Medical services | $ 187,835 | $ - | $ - | $ - | $ 187,835 | $ - | $ - | $ - | $ 187,835 |
| Donor recruitment services | - | 24,817 | - | - | 24,817 | - | - | - | 24,817 |
| Compensation | 23,560 | 6,332 | 11,968 | 8,464 | 50,324 | 18,022 | 2,335 | 20,357 | 70,681 |
| Benefits | 6,675 | 1,711 | 3,174 | 1,852 | 13,412 | 4,642 | 581 | 5,223 | 18,635 |
| Professional fees | 4,144 | 1,896 | 6,840 | 6,553 | 19,433 | 3,424 | 814 | 4,238 | 23,671 |
| Travel | 1,295 | 767 | 991 | 523 | 3,576 | 1,137 | 629 | 1,766 | 5,342 |
| Professional development | 247 | 47 | 118 | 96 | 508 | 388 | 17 | 405 | 913 |
| Occupancy | 723 | 418 | 202 | 110 | 1,453 | 5,866 | 116 | 5,982 | 7,435 |
| Telecommunications | 34 | 1 | 1 | 1 | 37 | 1,034 | - | 1,034 | 1,071 |
| Information processing | 72 | 59 | 45 | 50 | 226 | 6,747 | - | 6,747 | 6,973 |
| Printing and copying | 438 | 351 | 54 | 401 | 1,244 | 174 | 497 | 671 | 1,915 |
| Postage and shipping | 586 | 135 | 84 | 211 | 1,016 | 93 | 56 | 149 | 1,165 |
| Depreciation | 1,668 | 1,354 | 807 | 1,076 | 4,905 | 5,121 | - | 5,121 | 10,026 |
| Interest expense | 279 | 232 | 139 | 186 | 836 | 93 | - | 93 | 929 |
| Office and miscellaneous | 328 | 54 | 34 | 681 | 1,097 | 952 | 312 | 1,264 | 2,361 |
| Research activities | 973 | 292 | 7,815 | - | 9,080 | - | - | - | 9,080 |
| **Total Expenses** | **$ 228,857** | **$ 38,466** | **$ 32,272** | **$ 20,204** | **$ 319,799** | **$ 47,693** | **$ 5,357** | **$ 53,050** | **$ 372,849** |

See accompanying notes to consolidated financial statements.

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014
(in thousands)

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Increase in net assets | $ 9,607 | $ 17,991 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization/accretion | 16,423 | 10,764 |
| Loss on disposal/abandonment of property and equipment | 123 | 3,184 |
| Loss on debt extinguishment | 6,446 | - |
| Net realized and unrealized (appreciation) depreciation of investments | 2,073 | (5,051) |
| Changes in other operating activities: | | |
| Receivables | (3,249) | 589 |
| Prepaid expenses and other assets | (491) | (766) |
| Accounts payable | 5,133 | (3,462) |
| Accrued expenses | (3,751) | 2,024 |
| Refundable advances and deferred revenue | 509 | 2,346 |
| Deferred compensation payable | 220 | 241 |
| Net cash provided by operating activities | 33,043 | 27,860 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of investments | (25,251) | (30,346) |
| Sales/maturities of investments | 18,286 | 16,835 |
| Purchase of property, computer software and equipment | (19,092) | (11,801) |
| Proceeds from sale of property and equipment | 22 | 12 |
| Net purchases of deferred compensation funds | (219) | (247) |
| Net cash used in investing activities | (26,254) | (25,547) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from the issuance of long-term debt | 30,642 | - |
| Principal payments on long-term debt | (69,015) | (4,360) |
| Net cash used in financing activities | (38,373) | (4,360) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(31,584)** | **(2,047)** |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 58,902 | 60,949 |
| **CASH AND CASH EQUIVALENTS - End of Year** | **$ 27,318** | **$ 58,902** |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | |
| Cash paid for the year for interest, net of amount capitalized | $ 818 | $ - |
| Noncash investing activities: purchase of property and equipment funded through accounts payable and accrued expenses | $ 521 | $ 1,296 |

See accompanying notes to consolidated financial statements.

## NOTE 1 – ORGANIZATION AND PROGRAM DESCRIPTIONS

The National Marrow Donor Program® (the "Program" or NMDP) is the global leader in providing marrow and umbilical cord blood transplants to patients with life-threatening blood cancers like leukemia and lymphoma or other diseases. The 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.

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

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 contributions from BTMF 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, BTMF, and CLR (collectively, the "Organization"), after elimination of intercompany accounts and transactions, in as much as the NMDP is the sole corporate member of BTMF and the sole shareholder of CLR, as set forth in each entity's applicable governance documents.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

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

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Investments and Investment Income*** – Short-term investments consist of investments acquired with original maturities of greater than three months that mature within the next 12 months. Short-term investments are stated at cost. Long-term investments consist of investments that are not intended to be liquidated over the next 12 months. Long-term investments 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 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. All pledges are recorded at the estimated amount to be ultimately realized. As of September 30, 2015 and 2014, 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, 2015 and 2014, the expected future cash receipts of pledges receivable are as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Pledges due - Less than one year | $ 283 | $ 213 |
| Pledges due - More than one year* | | 4 |
| Total Pledges | $ 283 | $ 217 |

*included with other assets in long-term section of statements of financial position

***Other Assets - Fund Held by Others*** - BTMF has temporarily restricted funds (the “Fund”) invested at the Minneapolis Foundation. Under the terms of the agreement establishing the Fund, BTMF will receive income distributions from the Fund. In addition, BTMF may request distributions from the principal of the Fund. The Fund is managed at the discretion of the Minneapolis Foundation, except that BTMF may make recommendations regarding the selection of investment options for the Fund. The Fund is recorded as temporarily restricted other assets on the consolidated statements of financial position. The Fund held by the Minneapolis Foundation was valued at $1,027,000 and $871,000 as of September 30, 2015 and 2014, 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. In the current year, the useful life for the cord blood bank inventory internal-use software asset was reduced due to its planned replacement in fiscal year 2017. The change in estimate decreased net assets by approximately $3,500,000 for the year ended September 30, 2015. 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.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

***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. With the advanced refunding discussed in Note 5, there are no accumulated amortization of premiums or accumulated accretion of discounts as of September 30, 2015 as the remaining premium and discount amounts were written off and recorded within the loss on extinguishment of debt in the consolidated statement of activities. Accumulated amortization of premiums was $1,013,000 at September 30, 2014. Accumulated accretion of discounts was $266,000 at September 30, 2014.

***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. With the advanced refunding discussed in Note 5, there is no accumulated amortization as of September 30, 2015 as the remaining amount of debt issuance costs associated with the 2010 bonds were written off and recorded within the loss on extinguishment of debt in the consolidated statement of activities. Accumulated amortization of debt issuance costs $207,000 at September 30, 2014. Unamortized debt issuance costs are included in other assets in the consolidated statements of financial position. There were no unamortized debt issuance costs at September 30, 2015. The total unamortized debt issuance cost was $541,000 at September 30, 2014.

***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. In 2014, the assumptions used for developing the liability for unpaid medical services were adjusted, and the change increased net assets by approximately $2,300,000. The Program's estimated liability for unpaid medical services totaled approximately $32,000,000 and $30,000,000 at September 30, 2015 and 2014, respectively. Actual results could differ from these estimates.

Approximately $17,000,000 and $15,000,000 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, 2015. Approximately $11,000,000 and $19,000,000 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, 2014.

***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, 2015 and 2014.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of September 30, 2015 or 2014. The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2012 through 2014 are open to examination by federal authorities.

***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 2015 and 2014, the Organization did record an abandonment charge of $138,000 in fiscal 2015 related to the write-off of previously recorded work in process costs, which has been recorded in various expense accounts on the statement of activities.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

***Subsequent Events*** - The Organization has considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to September 30, 2015 through January 6, 2016, the date the consolidated financial statements were issued.

On December 4, 2015, Be The Match BioTherapies, LLC was formed and authorized to do business as a nonprofit limited liability company subject to Minnesota Statutes, Section 322C.1101. It is anticipated that Be The Match BioTherapies, LLC will conduct certain business in the field of cellular therapy consistent with the nonprofit mission of its parent corporation, National Marrow Donor Program, but outside the scope of NMDP's customary core business.

On December 4, 2015, Be The Match BioTherapies Services, LLC was formed and authorized to do business as a limited liability company subject to Minnesota Statutes, Chapter 322C. It is anticipated that Be The Match BioTherapies Services, LLC will conduct certain business outside the scope of the core business of its parent corporation, National Marrow Donor Program.

***Recent Accounting Pronouncements*** – 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. The Organization adopted the ASU No. 2013-06 for the year ending September 30, 2015 and has recorded services received by the Foundation, which are eliminated in the consolidated financial statements.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will eliminate and replace most industry-specific guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. This guidance will be effective for the Organization beginning October 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is currently assessing the impact of the new guidance on the Organization's financial statements.

## NOTE 3 – PROPERTY AND EQUIPMENT

A summary of the cost of property and equipment and the related accumulated depreciation and amortization as of September 30, 2015 and 2014, is as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Furniture and equipment | $ 23,341 | $ 22,158 |
| Leasehold improvements | 5,318 | 5,340 |
| Software | 75,866 | 65,806 |
| Work in process | 12,020 | 7,539 |
| | 116,545 | 100,843 |
| Less accumulated depreciation and amortization | (46,320) | (32,299) |
| Property and equipment - net | $ 70,225 | $ 68,544 |

Work in process includes the acquisition, development, installation, and implementation of computer hardware, database licenses, application licenses, and packaged and customized computer software, leasehold improvements, and furniture and equipment. The Organization's depreciation and amortization expense during the years ended September 30, 2015 and 2014, was $16,491,000 and $10,887,000, respectively, and is recorded in depreciation and interest expense in the consolidated statements of functional expenses.

## NOTE 4 – INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

The types of investments held as of September 30, 2015 and 2014, were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Mutual funds | $ 89,891 | $ 89,998 |
| Certificates of deposit | 15,000 | |
| Money market funds | | 10,157 |
| | $ 104,891 | $ 100,155 |
| Reported as: | | |
| Short-term investments | $ 15,000 | $ |
| Long-term investments | 89,891 | 89,998 |
| Funds held for bond reserve | | 10,157 |
| | $ 104,891 | $ 100,155 |

The summary of the investment return for the years ended September 30, 2015 and 2014, is as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Interest income, net | $ 1,947 | $ 2,119 |
| Realized gain on investments | 582 | 1,251 |
| | 2,529 | 3,370 |
| Change in unrealized appreciation on investments | (2,655) | 3,800 |
| Total investment return | $ (126) | $ 7,170 |

Interest income is net of fees of $64,000 and $61,000 for the years ended September 30, 2015 and 2014, 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.

***Fair value of financial instruments*** - 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 considered Level 2 based on market assumptions, including current market transactions. Marketable securities are carried at fair value.

**NOTE 4 – INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS** (continued)

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

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

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

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

***Asset Valuation Techniques*** - Mutual funds 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, using Level 1 and Level 2 inputs, of the underlying investments in the long-term growth fund. The Minneapolis Foundation utilizes market values for identical assets in an active market and similar assets to establish the estimated fair value of the underlying investments.

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

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

There have been no changes in the valuation methodologies used at September 30, 2015 and 2014.

## NOTE 4 – INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and 2014, by type of inputs applicable to the fair value measurements, are summarized as follows:

| | 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | | | | |
| Domestic equities | $ 38,046 | | | $ 38,046 |
| International equities | 15,002 | | | 15,002 |
| Fixed income | 36,843 | | | 36,843 |
| Total mutual funds | 89,891 | - | - | 89,891 |
| Total investments | $ 89,891 | $ - | $ - | $ 89,891 |
| Deferred compensation funds | $ 2,676 | $ - | $ - | $ 2,676 |
| Other assets - funds held by others | $ - | $ - | $ 1,027 | $ 1,027 |

| | 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ 10,157 | $ - | $ - | $ 10,157 |
| Mutual funds | | | | |
| Domestic equities | 41,105 | | | 41,105 |
| International equities | 13,236 | | | 13,236 |
| Fixed income | 31,832 | | | 31,832 |
| Other | 3,825 | | | 3,825 |
| Total mutual funds | 89,998 | - | - | 89,998 |
| Total investments | $ 100,155 | $ - | $ - | $ 100,155 |
| Deferred compensation funds | $ 2,457 | $ - | $ - | $ 2,457 |
| Other assets - funds held by others | $ - | $ - | $ 871 | $ 871 |

## NOTE 4 – INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS (continued)

The change in fair value of the Organization's Level 3 investment for the years ended September 30, 2015 and 2014, is summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| Beginning fair value - October 1 | $ 871 | $ 785 |
| Contributions | 208 | 10 |
| Fees | (7) | (6) |
| Unrealized (losses) gains | (45) | 82 |
| Ending fair value - September 30 | $ 1,027 | $ 871 |

## NOTE 5 – LONG-TERM DEBT

A summary of long-term debt as of September 30, 2015 and 2014, is as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Revenue Note - Series 2015 | $ 30,000 | $ |
| Restaurant loan | 642 | |
| Revenue bonds - Series 2010 | | 63,280 |
| Plus Revenue bonds - Series 2010 premiums | | 436 |
| Less Revenue bonds - Series 2010 discounts | | (538) |
| Total debt | 30,642 | 63,178 |
| Less current maturities of long-term debt | (5,853) | (4,535) |
| Long-term portion | $ 24,789 | $ 58,643 |

The City of Minneapolis, Minnesota ("City"), 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 was completed in 2014. The Series 2010 Bonds were issued on August 16, 2010 with a final maturity date of August 1, 2025. Interest rates are fixed based on the serial or term bond maturity date within the Bonds. Interest rates ranged from 4% to 5% for Series 2010 Bonds and is payable semiannually on February 1 and August 1.

During 2015, the Program elected to advance refund its Series 2010 Bonds. The City issued a Revenue Note, National Marrow Donor Program Project – Series 2015 ("Series 2015 Note") on behalf of the Organization for $30,000,000 pursuant to a Loan and Note Purchase Agreement ("Agreement") dated September 1, 2015 among the City, the Organization and U.S. Bank National Association ("U.S. Bank"). The City assigned its interest in the loan repayments and rights under the Agreement to U.S. Bank. The Series 2015 Note was issued on September 24, 2015 with a final maturity date of August 1, 2020. The legal defeasance of the Series 2010 Bonds resulted in a loss on debt extinguishment of $6,446,000 for the year ended September 30, 2015. The Series 2015 Note bears interest at 1.7% and is payable semiannually on February 1 and August 1.

**NOTE 5 – LONG-TERM DEBT** (continued)

The Series 2015 Note is secured by a security interest in certain tangible and intangible personal property of the Program, subject to certain excluded property and permitted encumbrances, granted pursuant to a Continuing Covenant Agreement, dated September 1, 2015. The Series 2015 Note is 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 Continuing Covenant Agreement, dated September 1, 2015. In addition to certain nonfinancial covenants, the Organization is required to maintain a fixed charge coverage ratio of no less than 1.15 to 1 and a liquidity coverage ratio of no less than 1.10 to 1. The fixed charge coverage ratio is calculated as the ratio of income available for operating lease and debt service for such period to the annual operating lease and debt service requirement for such period. The liquidity coverage ratio is calculated as the ratio of the market value of unrestricted cash and investments for such period to the total funded debt for such period. The Organization is in compliance with each ratio requirement at September 30, 2015.

The Organization entered into an agreement with Bon Appetit Management Co. to operate a restaurant within its new facility (Note 10). The terms of the agreement provided that Bon Appetit would provide a $700,000 non-interest bearing ten year loan ("Restaurant Loan") to fund certain improvements to the premises. The Organization has recorded a discount associated with the loan to reflect imputed interest at its current 1.7% borrowing rate. The loan proceeds were issued in September 2015 with a final maturity date of November 2025.

The Organization incurred $2,905,000 of interest expense during the year ended September 30, 2015, of which $2,086,000 was capitalized net of interest income of $1,500. The Organization incurred $3,018,000 of interest expense during the year ended September 30, 2014, of which $3,015,000 was capitalized net of interest income of $3,000.

At September 30, 2015, maturities of long-term debt for each of the fiscal years ending September 30, 2016 to 2020, and thereafter, are as follows (in thousands):

| | | |
|---|---|---|
| 2016 | $ | 5,853 |
| 2017 | | 5,955 |
| 2018 | | 6,061 |
| 2019 | | 6,168 |
| 2020 | | 6,269 |
| Thereafter | | 336 |
| Total | $ | 30,642 |

## NOTE 6 – FEDERAL CONTRACTS AND COOPERATIVE AGREEMENTS

Federal contracts and cooperative agreements revenues are based on the terms of the specific contracts and cooperative agreements designed to cover qualified expenses, as defined. Federal contracts and cooperative agreements revenues for the years ended September 30, 2015 and 2014, were as follows (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Navy grants | $ 17,965 | $ 18,372 |
| HRSA contracts | 15,838 | 16,146 |
| MCW sub-award agreements – BMTCTN | 6,005 | 5,019 |
| MCW sub-award agreements – other | 3,488 | 3,556 |
| NIH agreements | 324 | 311 |
| Other | 351 | 344 |
| | $ 43,971 | $ 43,748 |

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. The second one-year option was awarded for all three contracts with a period of performance of September 30, 2014 to September 29, 2015. The third one-year option was awarded for all three contracts with a period of performance of September 30, 2015 to September 29, 2016.

## NOTE 7 – RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan (the “Retirement Plan”) for all employees. Contributions to the Retirement Plan are based on 6% of participant gross wages, plus an additional 5.7% of a participant’s gross wages in excess of the maximum FICA taxable wage base up to $260,000 and $255,000 for the years ended September 30, 2015 and 2014, respectively. A participant is vested at 40% after two years and 100% after three years of service. The Organization’s contributions to the Retirement Plan were $4,005,000 and $3,854,000 for the years ended September 30, 2015 and 2014, respectively.

## NOTE 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. Contributions will result in current income taxation. Plan balances are personally owned by the plan participants immediately and are not subject to a risk of forfeiture; as such, the plan assets are not recorded on the Organization's financial statements. The Supplemental Plan also provides for additional life insurance up to $750,000.

## NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2015 and 2014, were available for the following purposes (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Foundation: | | |
| Donor recruitment | $ 3,357 | $ 1,835 |
| Patient assistance | 1,666 | 691 |
| Research | 829 | 1,156 |
| Special programs and other | 260 | 469 |
| | $ 6,112 | $ 4,151 |

During the year ended September 30, 2015, the Organization reclassified and redesignated $2,916,000 of unrestricted net assets to temporarily restricted net assets. This change is recorded within other income (expenses) and other changes on the consolidated statement of activities.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

***Self Insurance -*** The Organization is self-insured for employee health and dental insurance claims with a stop loss limit of $125,000 per member for health claims and $1,000 or $1,500 per member for dental claims depending on the employee elected plan. A liability is recorded with respect to unasserted claims based on actual claims to date. The estimated liability for health claims was $596,000 and $870,000 as of September 30, 2015 and 2014, respectively. The estimated liability for dental claims was $19,000 and $40,000 as of September 30, 2015 and 2014, respectively. Actual results could differ from those estimates.

As of March 23, 2015, CLR, a wholly owned captive insurance company, was incorporated to insure the Program's donors. Effective May 1, 2015, CLR issued an occurrence based insurance policy to the Program with coverage provided at $250,000 per occurrence with no aggregate limit. A liability is recorded with respect to current claims and unasserted claims based on actual claims to date and actuarial studies of estimated future liabilities for such claims. The estimated liability for these claims was $307,000 as of September 30, 2015. Actual results could differ from those estimates.

***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 $4,105,000 and $3,923,000 for the years ended September 30, 2015 and 2014, 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, 2015, were as follows (in thousands):

| | | |
|---|---|---|
| 2016 | $ | 1,544 |
| 2017 | | 490 |
| 2018 | | 338 |
| 2019 | | 313 |
| 2020 | | 319 |
| Thereafter | | 187 |
| Total | $ | 3,191 |

## NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

***New Facility*** – On October 15, 2013, NMDP entered into a lease agreement for a location on the west side of downtown Minneapolis, adjacent to Target Field. The office building is the new headquarters of the Organization with lease payments beginning on January 1, 2016. The current building lease ends December 31, 2015. The term of the lease is fifteen years with cumulative base rent payments approximating $84,288,000. The Organization has the option to extend the lease term for three additional periods of seven years each. The Organization will record the capital lease asset and capital lease obligation at the beginning of the lease term in the amount of $60,209,000, which approximates the present value of the of the minimum lease payments incurred during the lease term. The future lease payments relating to the new facility capital lease are as follows (in thousands):

| | | |
|---|---|---|
| 2016 | $ | 3,656 |
| 2017 | | 4,947 |
| 2018 | | 5,046 |
| 2019 | | 5,147 |
| 2020 | | 5,250 |
| Thereafter | | 60,242 |
| Total | | 84,288 |
| Less amounts representing interest | | (24,079) |
| Total | $ | 60,209 |

# ADDITIONAL CONSOLIDATING INFORMATION

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
For the Year Ended September 30, 2015
(in thousands)

| | NMDP | BTMF | CLR | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $ 23,040 | $ 3,907 | $ 371 | $ - | $ 27,318 |
| Short-term investments | 15,000 | | | | 15,000 |
| Receivables: | | | | | |
| Transplant center and other receivables, net | 47,798 | 1 | 577 | (1,130) | 47,246 |
| Contract receivables | 4,688 | | | | 4,688 |
| Pledges receivable | - | 441 | - | (158) | 283 |
| Prepaid expenses and other | 5,057 | 25 | 71 | | 5,153 |
| Total Current Assets | 95,583 | 4,374 | 1,019 | (1,288) | 99,688 |
| LONG-TERM INVESTMENTS | 76,720 | 13,271 | - | (100) | 89,891 |
| PROPERTY AND EQUIPMENT | 70,220 | 5 | - | | 70,225 |
| DEFERRED COMPENSATION FUNDS | 2,676 | | | | 2,676 |
| OTHER ASSETS | 1,697 | 1,028 | - | | 2,725 |
| **TOTAL ASSETS** | **$ 246,896** | **$ 18,678** | **$ 1,019** | **$ (1,388)** | **$ 265,205** |
| **LIABILITIES AND NET ASSETS** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | $ 27,881 | $ 686 | $ 32 | $ (32) | $ 28,567 |
| Accrued expenses | 17,452 | 1,766 | 281 | (1,256) | 18,243 |
| Accrued compensation and benefits | 13,682 | 215 | | | 13,897 |
| Current maturities of long-term debt | 5,853 | | | | 5,853 |
| Refundable advances and deferred revenue | 6,072 | | 606 | | 6,678 |
| Total Current Liabilities | 70,940 | 2,667 | 919 | (1,288) | 73,238 |
| DEFERRED COMPENSATION PAYABLE | 2,680 | | | | 2,680 |
| LONG-TERM DEBT | 24,789 | | | | 24,789 |
| NET ASSETS | 148,487 | 16,011 | 100 | (100) | 164,498 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 246,896** | **$ 18,678** | **$ 1,019** | **$ (1,388)** | **$ 265,205** |

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION INFORMATION
For the Year Ended September 30, 2014
(in thousands)

| | NMDP | BTMF | Eliminations | Consolidated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ 50,751 | $ 8,151 | $ - | $ 58,902 |
| Receivables: | | | | |
| Transplant center and other receivables, net | 45,715 | 5 | (2,168) | 43,552 |
| Contract receivables | 5,203 | | | 5,203 |
| Pledges receivable | 35 | 695 | (517) | 213 |
| Prepaid expenses and other | 5,174 | 15 | | 5,189 |
| Total Current Assets | 106,878 | 8,866 | (2,685) | 113,059 |
| LONG-TERM INVESTMENTS | 76,870 | 13,128 | | 89,998 |
| FUNDS HELD FOR BOND RESERVE | 10,157 | | | 10,157 |
| PROPERTY AND EQUIPMENT | 68,521 | 23 | | 68,544 |
| DEFERRED COMPENSATION FUNDS | 2,457 | | | 2,457 |
| OTHER ASSETS | 1,707 | 876 | | 2,583 |
| **TOTAL ASSETS** | **$ 266,590** | **$ 22,893** | **$ (2,685)** | **$ 286,798** |
| **LIABILITIES AND NET ASSETS** | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | $ 23,946 | $ 237 | $ - | $ 24,183 |
| Accrued expenses | 22,301 | 2,696 | (2,685) | 22,312 |
| Accrued compensation and benefits | 13,316 | 289 | | 13,605 |
| Current maturities of long-term debt | 4,535 | | | 4,535 |
| Refundable advances and deferred revenue | 6,169 | | | 6,169 |
| Total Current Liabilities | 70,267 | 3,222 | (2,685) | 70,804 |
| DEFERRED COMPENSATION PAYABLE | 2,460 | | | 2,460 |
| LONG-TERM DEBT | 58,643 | | | 58,643 |
| NET ASSETS | 135,220 | 19,671 | | 154,891 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 266,590** | **$ 22,893** | **$ (2,685)** | **$ 286,798** |

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
For the Year Ended September 30, 2015
(in thousands)

| | NMDP | BTMF | CLR | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **REVENUES AND GAINS:** | | | | | |
| Search and procurement fees | $ 339,318 | $ - | $ - | $ - | $ 339,318 |
| Federal contracts and cooperative agreements | 43,971 | | | | 43,971 |
| Contributions | 10,860 | 14,735 | | (13,211) | 12,384 |
| Other | 1,042 | | 424 | (433) | 1,033 |
| Total Revenues and Gains | 395,191 | 14,735 | 424 | (13,644) | 396,706 |
| **EXPENSES:** | | | | | |
| Program services | 329,012 | 12,846 | 307 | (8,765) | 333,400 |
| Management and general | 41,835 | 1,716 | 117 | (1,700) | 41,968 |
| Fundraising | 4,416 | 3,937 | - | (3,179) | 5,174 |
| Total Expenses | 375,263 | 18,499 | 424 | (13,644) | 380,542 |
| **EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES** | 19,928 | (3,764) | - | - | 16,164 |
| **OTHER INCOME AND EXPENSES** | | | | | |
| Gain on disposal of asset | 15 | - | - | | 15 |
| Loss on debt extinguishment | (6,446) | - | - | | (6,446) |
| Investment income | 1,899 | 630 | - | | 2,529 |
| Change in unrealized appreciation on investments | (2,129) | (526) | - | | (2,655) |
| Total Other Income and Expenses | (6,661) | 104 | - | - | (6,557) |
| **INCREASE (DECREASE) IN NET ASSETS** | **13,267** | **(3,660)** | **-** | **-** | **9,607** |
| Net Assets - Beginning of Year | 135,220 | 19,671 | - | - | 154,891 |
| Investment in Subsidiary | | - | 100 | (100) | - |
| **NET ASSETS - End of Year** | **$ 148,487** | **$ 16,011** | **$ 100** | **$ (100)** | **$ 164,498** |

**NATIONAL MARROW DONOR PROGRAM AND SUBSIDIARY**

CONSOLIDATING SCHEDULE OF ACTIVITIES INFORMATION
For the Year Ended September 30, 2014
(in thousands)

| | NMDP | BTMF | Eliminations | Consolidated |
|---|---|---|---|---|
| **REVENUES AND GAINS:** | | | | |
| Search and procurement fees | $ 330,905 | $ - | $ - | $ 330,905 |
| Federal contracts and cooperative agreements | 43,748 | | | 43,748 |
| Contributions | 7,975 | 12,778 | (9,520) | 11,233 |
| Other | 968 | | | 968 |
| Total Revenues and Gains | 383,596 | 12,778 | (9,520) | 386,854 |
| **EXPENSES:** | | | | |
| Program services | 315,808 | 11,061 | (7,070) | 319,799 |
| Management and general | 47,674 | 1,781 | (1,762) | 47,693 |
| Fundraising | 4,621 | 1,424 | (688) | 5,357 |
| Total Expenses | 368,103 | 14,266 | (9,520) | 372,849 |
| **EXCESS (DEFICIENCY) OF REVENUES AND GAINS OVER EXPENSES** | 15,493 | (1,488) | - | 14,005 |
| **OTHER INCOME AND EXPENSES** | | | | |
| Loss on disposal of asset | (3,184) | - | | (3,184) |
| Investment income | 2,826 | 544 | | 3,370 |
| Change in unrealized appreciation on investments | 3,150 | 650 | | 3,800 |
| Total Other Income and Expenses | 2,792 | 1,194 | - | 3,986 |
| **INCREASE (DECREASE) IN NET ASSETS** | **18,285** | **(294)** | **-** | **17,991** |
| Net Assets - Beginning of Year | 116,935 | 19,965 | - | 136,900 |
| **NET ASSETS - End of Year** | **$ 135,220** | **$ 19,671** | **$ -** | **$ 154,891** |