

**MALIGNANT HYPERTHERMIA ASSOCIATION  
OF THE UNITED STATES, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004, 2003 AND 2002**



# **MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.**

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# CWYNAR & COMPANY

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## Independent Auditors' Report

TO THE BOARD OF DIRECTORS  
MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

We have audited the accompanying statements of financial position of Malignant Hyperthermia Association of the United States, Inc. as of September 30, 2004, 2003 and 2002, and the related statements of activities, functional expenses, and cash flow for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Malignant Hyperthermia Association of the United States, Inc. as of September 30, 2004, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Cwynar & Company*

Norwich, New York  
November 22, 2004

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**MALIGNANT HYPERTHERMIA ASSOCIATION  
OF THE UNITED STATES, INC.**

**STATEMENTS OF FINANCIAL POSITION**

September 30,	2004	2003	2002
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and equivalents	\$ 462,291	482,704	334,526
Investment in marketable securities	40,002	-	-
Pledges receivable, net	2,024	270	45,587
Inventories	49,985	71,800	73,776
Prepaid expenses	5,915	2,166	5,503
	<b>560,217</b>	556,940	459,392
<b>Endowment Investments</b>			
Cash and equivalents	140,038	134,767	128,370
	<b>16,173</b>	11,263	10,026
<b>Fixed assets, net</b>	<b>\$ 716,428</b>	702,970	597,788
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 3,805	5,842	21,838
Accrued liabilities	4,427	3,834	3,694
	<b>8,232</b>	9,676	25,532
<b>NET ASSETS</b>			
Unrestricted	568,158	524,028	388,886
Temporarily restricted	15,665	49,183	67,753
Permanently restricted	124,373	120,083	115,617
	<b>708,196</b>	693,294	572,256
	<b>\$ 716,428</b>	702,970	597,788

See independent auditors' report  
See accompanying notes to the financial statements

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENTS OF ACTIVITIES

For the years ended September 30,	2004	2003	2002
<b>UNRESTRICTED NET ASSETS</b>			
<b>Unrestricted Revenues and Gains</b>			
<b>Contributions</b>			
General public	\$ 107,737	105,301	112,803
Business community	45,000	10,700	67,642
<b>Program Service Fees</b>			
General public	42,777	42,391	57,814
Business community	46,569	110,167	51,689
<b>Investment Transactions</b>			
Interest income	2,441	3,008	3,316
Other gains (losses)	629	3,074	322
	<b>245,153</b>	274,641	293,586
<b>Net assets released from donor restrictions</b>	<b>367,727</b>	348,685	332,647
	<b>612,880</b>	623,326	626,233
<b>Functional expenses</b>			
<b>Program services</b>			
Education	227,498	238,422	226,934
Research & clinical	141,005	107,219	125,805
Patient	29,831	21,512	22,931
Neuroleptic Malignant Syndrome	82,327	44,092	37,578
	<b>480,661</b>	411,245	413,248
<b>Supporting services</b>			
General & Administrative	52,137	48,272	55,292
Fundraising	35,952	28,667	58,786
	<b>88,089</b>	76,939	114,078
	<b>568,750</b>	488,184	527,326
<b>Change in unrestricted net assets</b>	<b>44,130</b>	135,142	98,907
<b>Beginning of the year</b>	<b>524,028</b>	388,886	289,979
<b>End of the year</b>	<b>\$ 568,158</b>	524,028	388,886

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For the years ended September 30,	2004	2003	2002
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Grants	\$ 20,500	29,000	40,750
Contributions	302,500	285,000	285,000
Contributions from general public	10,229	14,883	1,631
Net assets released from donor restrictions	(366,747)	(347,453)	(332,012)
<b>Change in temporarily restricted net assts</b>	<b>(33,518)</b>	<b>(18,570)</b>	<b>(4,631)</b>
<b>Beginning of the year</b>	<b>49,183</b>	<b>67,753</b>	<b>72,384</b>
<b>End of the year</b>	<b>\$ 15,665</b>	<b>49,183</b>	<b>67,753</b>

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For the years ended September 30,	2004	2003	2002
<b>PERMANENTLY RESTRICTED NET ASSETS</b>			
Contributions from general public	\$ 4,290	4,466	11,420
Interest income	980	1,232	2,266
Net assets released from donor restrictions	(980)	(1,232)	(635)
<b>Change in permanently restricted net assets</b>	<b>4,290</b>	<b>4,466</b>	<b>13,051</b>
<b>Beginning of the year</b>	<b>120,083</b>	<b>115,617</b>	<b>102,566</b>
<b>End of the year</b>	<b>\$ 124,373</b>	<b>120,083</b>	<b>115,617</b>

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENTS OF CASH FLOW

For the years ended September 30,	2004	2003	2002
<b>Operating activities</b>			
Change in net assets	\$ 14,902	121,038	107,327
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	4,886	5,426	5,665
Unrealized (Gain)Loss on marketable securities	(548)	-	-
(Gain)Loss on disposal of assets	225	-	(750)
Accounts receivable	(1,754)	45,317	(33,602)
Prepaid expenses	(3,749)	3,337	3,375
Inventories	21,815	1,976	(5,642)
Accounts payable	(2,037)	(15,996)	4,012
Accrued liabilities	593	140	(5)
	<b>34,333</b>	161,238	80,380
<b>Investing Activities</b>			
Purchase of equipment	(10,021)	(6,663)	-
Purchase of marketable securities	(39,454)	-	-
Net change in endowment cash investments	(5,271)	(6,397)	(10,687)
	<b>(54,746)</b>	(13,060)	(10,687)
<b>Net change in cash</b>	<b>(20,413)</b>	148,178	69,693
<b>Cash at the beginning of the year</b>	<b>482,704</b>	334,526	264,833
<b>Cash at the end of the year</b>	<b>\$ 462,291</b>	482,704	334,526
<b>Supplemental Cash Flow Disclosures</b>			
Bank charges	\$ 508	39	556
Income taxes paid	-	-	-
Non-cash financing	-	-	-

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**MALIGNANT HYPERTHERMIA ASSOCIATION  
OF THE UNITED STATES, INC.**

**STATEMENTS OF NATURAL EXPENSES**

For the years ended September 30,	2004	2003	2002
Salaries & Wages	\$ 168,522	158,202	168,721
Payroll expenses	38,912	34,101	34,410
Copywriting	8,400	8,500	7,050
Materials	18,572	30,549	9,127
Telephone	5,718	6,235	6,390
Postage & Shipping	21,344	17,541	18,640
Insurance	6,269	6,241	4,000
Occupancy	11,199	12,034	11,565
Bank charges	508	39	556
Professional fees	16,977	5,750	6,100
Contracted services	33,983	61,307	97,774
Printing & Publications	35,573	36,405	48,884
Conferences & Meetings	27,721	6,506	12,700
Symposium	17,252	6,870	-
Awards & Honors	8,713	7,000	1,600
Research grants	87,856	52,000	51,365
Travel	55,919	29,543	41,166
Other	426	3,935	1,613
Depreciation	4,886	5,426	5,665
	<b>\$ 568,750</b>	<b>488,184</b>	<b>527,326</b>

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**MALIGNANT HYPERTHERMIA ASSOCIATION  
OF THE UNITED STATES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the year ended September 30,	Program Services				Total
	Education	Research & Clinical	Patient	Neuroleptic Malignant Syndrome	
Salaries & Wages	\$ 85,946	20,223	15,167	16,852	\$ 138,188
Payroll expenses	19,845	4,670	3,502	3,891	31,908
Copywriting	4,284	1,008	756	840	6,888
Materials	9,472	2,229	1,671	1,857	15,229
Telephone	2,916	686	515	572	4,689
Postage & Shipping	10,886	2,561	1,921	2,134	17,502
Insurance	-	1,000	-	1,000	2,000
Occupancy	-	-	-	-	-
Bank charges	508	-	-	-	508
Professional fees	5,079	5,548	-	-	10,627
Contracted services	17,332	4,078	3,059	3,398	27,867
Printing & Publications	23,922	4,269	3,202	3,557	34,950
Conferences & Meetings	18,572	3,326	-	2,773	24,671
Symposium	-	-	-	17,252	17,252
Awards & Honors	-	3,500	-	4,672	8,172
Research grants	-	87,856	-	-	87,856
Travel	28,519	-	-	23,486	52,005
Other	217	51	38	43	349
Depreciation	-	-	-	-	-
	\$ 227,498	141,005	29,831	82,327	\$ 480,661

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For the year ended September 30,	Supporting Services		
	General & Administrative	Fundraising	Total
Salaries & Wages	\$ 11,797	18,537	\$ 30,334
Payroll expenses	2,724	4,280	7,004
Copywriting	588	924	1,512
Materials	1,300	2,043	3,343
Telephone	400	629	1,029
Postage & Shipping	1,494	2,348	3,842
Insurance	4,269	-	4,269
Occupancy	11,199	-	11,199
Bank charges	-	-	-
Professional fees	6,350	-	6,350
Contracted services	2,378	3,738	6,116
Printing & Publications	267	356	623
Conferences & Meetings	-	3,050	3,050
Symposium	-	-	-
Awards & Honors	541	-	541
Research grants	-	-	-
Travel	3,914	-	3,914
Other	30	47	77
Depreciation	4,886	-	4,886
	\$ 52,137	35,952	\$ 88,089

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Malignant Hyperthermia Association of the United States, Inc. (MHAUS or the Organization) is a not-for-profit corporation that was formed for the purpose of increasing the medical professions' and the general public's awareness and understanding of the syndrome, malignant hyperthermia (MH). MHAUS is dedicated to reducing the morbidity and mortality of MH by improving medical care related to MH, providing support information for patients and improving the scientific understanding and research related to MH. It performs these objectives by publishing newsletters and articles, hosting educational seminars, attending appropriate professional and public seminars to disseminate information about the syndrome and performing such other functions as required to increase the knowledge of the syndrome.

#### **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent liabilities, and the reported revenue and expenses.

#### **Inventory**

Consists of educational materials. Videotapes, audio tapes, brochures, pamphlets, etc. in inventory are stated at the lower of cost or market, cost being determined using the first-in, first-out (FIFO) method.

#### **Investments**

Investments are carried at fair value. Unrealized gains and losses, if any, are included in the change in net assets.

#### **Securities Transactions**

The Company records securities transactions and recognizes related revenues on a trade date basis. Investment banking fees and expenses are recorded on an accrual basis.

#### **Promises to Give**

Contributions from the public are recognized when the donor makes an unconditional promise to give cash (or any other valuable asset) to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine collectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

At the balance sheet date, there are no significant promises to give.

# **MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Cash and Cash Equivalents**

The Organization considers cash in operating bank accounts, cash on hand, and certificates of deposit, U.S. Treasury Bills and other highly liquid debt instruments purchased with maturity of three months or less to be cash and cash equivalents.

### **Accounts Receivable**

The Organization uses the allowance for doubtful accounts method for valuing accounts receivable. This reduces the current balance of accounts receivable by the estimated bad debts expected to occur based on previous experience.

### **Property and Equipment**

The Organization capitalizes all expenditures for land and land improvements, buildings, and equipment costing \$500 or more at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and furniture	2-10 years
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Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. If the donor does not stipulate how long those assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### **Donated Materials and Services**

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided. No amounts have been reflected in the financial statements for those services.

### **Advertising**

Advertising costs are generally charged to operations as incurred.

### **Income Taxes**

MHAUS has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.



# **MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Financial Statement Presentation**

Certain amounts from the prior years' financial statements have been reclassified to conform to the current year presentation.

### **Functional Classification of Expenses**

Functional expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service and support costs are allocated to a program based on total program costs. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function.

#### **Education**

The Malignant Hyperthermia Association of the United States, Inc provides a variety of educational support services for medical professionals and patients susceptible to malignant hyperthermia. These include videos, audio tapes, literature, monographs, professional conferences, special meetings, Web site, and newsletters.

#### **Research & Clinical**

This includes all activities that support the Malignant Hyperthermia Hotline, North American Malignant Hyperthermia Registry of MHAUS (located at the University of Pittsburgh Medical School, Pennsylvania) and research programs. For example, a research program supported includes the development of a genetic blood test as a replacement for the current muscle biopsy.

#### **Patient**

This includes programs directed to educate and support Malignant Hyperthermia Susceptible (MHS) patients and their families. The programs include all the materials mentioned under the education section but with the expansion emphasis on a patient educational conference and seminars, a patient identification tag program, a patient news bulletin and a patient liaison committee program where MHS patients work together to provide local and national support.

#### **Neuroleptic Malignant Syndrome (NMS)**

This category includes formation of a NMS hotline, educational support services and a database for medical professionals and patients' involvement in this syndrome caused by antipsychotic drugs.

#### **General & Administrative Expense**

Expenditures associated with the overall operation of the Organization. These expenditures are not directly part of the program services operating at the Organization. They are indirect and necessary for the Organization's existence.

#### **Fundraising Expense**

Expenditures associated with fundraising activities of the Organization. These expenditures are not directly part of the program services operating at the Organization.

### **Compensated Absences and Employee Benefits**

Employees of the Organization are entitled to paid vacations, sick days, and personal days off,

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

depending on job classification, length of service, and other factors.

There are no unfunded health care or retirement plans.

### Note 2 RESTRICTIONS ON NET ASSETS

The Organization's unrestricted net assets:

September 30,	2004
Designated for property and equipment	\$ 16,173
Undesignated	551,985
Unrestricted net assets	\$ 568,158

Restricted net assets are available for the following purposes or periods:

September 30, 2004	Permanent	Temporary	Total
Lila and Jerry Lewis Memorial Fund	\$ 66,789	9,743	\$ 76,532
Rosenberg Research Fund	41,694	5,108	46,802
Shah Educational Awareness Fund	15,890	814	16,704
	\$ 124,373	15,665	\$ 140,038

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

September 30, 2004	Permanent	Temporary	Total
Procter & Gamble Pharmaceuticals	\$ -	302,500	\$ 302,500
American Society of Anesthesiologists	-	17,500	17,500
Sharn	-	3,000	3,000
Vanguard Anesthesia Associates	-	5,000	5,000
Daniel Massik Memorial Fund	-	3,500	3,500
Lilly	-	25,000	25,000
Lila and Jerry Lewis Memorial Fund	537	-	537
Rosenberg Research Fund	328	-	328
Napolitano Fund	-	2,515	2,515
Shah Educational Awareness Fund	115	-	115
Neuroleptic Malignant Syndrome Donors	-	2,714	2,714
Other Corporate Grants	-	5,018	5,018
	\$ 980	366,747	\$ 367,727

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### Note 3 ENDOWMENT FUNDS AND TRUSTS

#### LILA & JERRY LEWIS MEMORIAL FUND

During fiscal 1987, the Organization became the recipient of this memorial fund. Use of monies contributed to this fund and any earnings are restricted for use in special programs, as designated and approved by the Board of Directors. The programs increase the general understanding of malignant hyperthermia. The fund is further restricted in that the Board may not use more than 20% of the corpus in any one fiscal year for such programs. It may, however, use any and all of the earnings from the fund for these programs.

#### SOLOMON & FLORENCE ROSENBERG RESEARCH FUND

During fiscal 1995, the Organization became the recipient of this research fund. Use of monies contributed to this fund and any earnings are restricted for use in support of any type of research related to malignant hyperthermia or allied syndromes. The Board of Directors has ultimate authority on the use of the funds. However, the fund is further restricted in that the Board may not use more than 20% of the corpus at any one time. It may, however, use any and all of the earnings from the fund for these purposes.

#### SHAH EDUCATIONAL AWARENESS FUND

During fiscal 2000, the Organization established this fund. The purpose of the fund is to alert and educate medical professionals, assist patients, and disseminate new knowledge about Neuroleptic Malignant Syndrome. NMSIS will use publications, educational brochures, conferences and other methods for increasing awareness and ensuring that patients with NMS are recognized and treated efficiently and effectively. The Board of Directors has ultimate authority on the use of the funds.

### Note 4 INVESTMENTS IN MARKETABLE SECURITIES

A Board of Directors governs the Organization's investment policies. The Organization has entered into an investment management agreement with a local financial institution in order to maximize return on their idle cash.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments in marketable securities are summarized as follows:

<b>September 30, 2004</b>	<b>Cost</b>	<b>Market</b>	<b>Unrealized Gain(Loss)</b>
Domestic Equity Securities	39,454	40,002	548

The investments are sold when cash needs develop or when good investment management dictates a change in the securities held. The difference between the net proceeds from sale and cost represents the realized gain or loss on the sale of securities. The unrealized gain or loss for a year is the relative change in the market values from the beginning to the end of the year for securities that were not sold.

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended September 30,	2004	2003
<b>Capital Gains</b>		
Unrealized gains (loss)	548	-
<b>Dividends</b>		
Common stock	254	-
	<b>\$ 802</b>	-

The Organization may, at times throughout the year, maintain certain bank accounts in excess of the FDIC insured limits.

### Note 5 POST EMPLOYMENT EMPLOYEE BENEFITS

The Organization currently has no retirement plan or post employment benefit package.

### Note 6 ECONOMIC DEPENDENCY

A major part of the Organization's contributions come from Procter & Gamble. Procter & Gamble's Pharmaceuticals division produces the drug, dantrolene sodium (Dantrium). Dantrium has been found to be a fast acting, effective treatment of malignant hyperthermia. A loss of the Procter & Gamble contribution would have a materially adverse effect on the Organization.