

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009, 2008 and 2007

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

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Independent Auditors' Report

To the Board of Directors
Malignant Hyperthermia Association of the United States, Inc.
Sherburne, New York

We have audited the accompanying statements of financial position of Malignant Hyperthermia Association of the United States, Inc. as of September 30, 2009, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows 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 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 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, 2009, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Norwich, New York
December 29, 2009

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MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FINANCIAL POSITION

At September 30,	2009	2008	2007
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 332,658	428,963	426,270
Investment in marketable securities	287,097	193,924	343,557
Grants receivable	20,000	-	-
Accounts receivable, net	15,545	100	52
Inventories	32,927	23,697	42,185
Prepaid expenses	8,833	2,666	13,731
Total current assets	697,060	649,350	825,795
ENDOWMENT INVESTMENTS			
Cash and equivalents	189,971	185,907	155,364
Investment in marketable securities	-	-	19,968
Total endowment investments	189,971	185,907	175,332
FIXED ASSETS			
Equipment	42,055	34,590	32,475
Furniture and fixtures	11,080	11,080	11,080
Leasehold improvements	1,200	1,200	1,200
Accumulated depreciation	(40,766)	(35,571)	(33,103)
Total net fixed assets	13,569	11,299	11,652
Total assets	\$ 900,600	846,556	1,012,779
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 33,859	28,220	18,489
Accrued liabilities	8,423	4,568	5,695
Total current liabilities	42,282	32,788	24,184
NET ASSETS			
Unrestricted	646,847	607,298	813,262
Temporarily restricted	57,391	55,438	32,251
Permanently restricted	154,080	151,032	143,082
Total net assets	858,318	813,768	988,595
Total liabilities and net assets	\$ 900,600	846,556	1,012,779

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See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF ACTIVITIES

For the years ended September 30,	2009	2008	2007
UNRESTRICTED NET ASSETS			
UNRESTRICTED REVENUE AND GAINS			
CONTRIBUTIONS			
General public	\$ 108,855	121,577	107,213
PROGRAM SERVICE FEES			
General public	90,013	82,668	79,263
Business community	85,109	62,622	62,841
INVESTMENT TRANSACTIONS			
Interest income	6,554	22,189	28,698
Dividend income	1,270	1,480	2,697
Unrealized gains (losses) on investments	(6,249)	(20,604)	9,956
Realized gains (losses) on investments	2,563	5,397	14,571
Other gains (losses)	1,354	2,974	620
Total unrestricted revenue and gains	289,469	278,303	305,859
Net assets released from donor restrictions	396,085	260,450	518,184
Total unrestricted revenues, gains and other support	685,554	538,753	824,043
FUNCTIONAL EXPENSES			
PROGRAM SERVICES			
Education	281,004	327,295	311,245
Research & clinical	141,689	178,910	180,484
Patient	37,721	40,630	38,781
Neuroleptic Malignant Syndrome	52,882	63,103	66,934
Total program services	513,296	609,938	597,444
SUPPORTING SERVICES			
General & Administrative	90,412	88,157	79,735
Fundraising	42,297	46,622	47,848
Total supporting services	132,709	134,779	127,583
Total functional expenses	646,005	744,717	725,027
Change in unrestricted net assets	39,549	(205,964)	99,016
Beginning of the year	607,298	813,262	714,246
End of the year	\$ 646,847	607,298	813,262

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For the years ended September 30,	2009	2008	2007
TEMPORARILY RESTRICTED NET ASSETS			
Grants	\$ 68,000	59,500	43,750
Contributions	327,800	215,000	370,000
Contributions from general public	1,222	3,182	2,972
Interest income	1,016	5,923	8,115
Unrealized gains (losses) on investments	-	-	257
Realized gains (losses) on investments	-	32	-
Net assets released from donor restrictions	(396,085)	(260,450)	(518,184)
Change in temporarily restricted net assts	1,953	23,187	(93,090)
Beginning of the year	55,438	32,251	125,341
End of the year	\$ 57,391	55,438	32,251
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For the years ended September 30,	2009	2008	2007
PERMANENTLY RESTRICTED NET ASSETS			
Contributions from general public	\$ 3,048	7,950	7,472
Net assets released from donor restrictions	-	-	-
Change in permanently restricted net assets	3,048	7,950	7,472
Beginning of the year	151,032	143,082	135,610
End of the year	\$ 154,080	151,032	143,082
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MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF CASH FLOWS

For the years ended September 30,	2009	2008	2007
OPERATING ACTIVITIES			
Change in net assets	\$ 44,550	(174,827)	13,398
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	5,195	4,438	4,867
Unrealized (Gain)Loss on marketable securities	6,249	20,604	(10,213)
Realized (Gain)Loss on marketable securities	(2,563)	(5,429)	(14,571)
Accounts receivable	(35,445)	(48)	154
Prepaid expenses	(6,167)	11,065	29,869
Inventories	(9,230)	18,488	7,444
Accounts payable	5,639	9,731	88
Accrued liabilities	3,853	(1,127)	1,305
CASH FROM OPERATING ACTIVITIES	12,081	(117,105)	32,341
INVESTING ACTIVITIES			
Purchase of equipment	(7,465)	(4,085)	(4,818)
Proceeds from sale of marketable securities	104,105	160,816	231,654
Purchase of marketable securities	(200,963)	(6,390)	(182,454)
Net change in endowment cash investments	(4,063)	(30,543)	(15,337)
CASH USED FOR INVESTING ACTIVITIES	(108,386)	119,798	29,045
INCREASE (DECREASE) IN CASH DURING YEAR	(96,305)	2,693	61,386
Cash at the beginning of the year	428,963	426,270	364,884
Cash at the end of the year	\$ 332,658	428,963	426,270

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MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

PROGRAM SERVICES

For the year ended September 30, 2009	Education	Research & Clinical	Patient	Neuroleptic Malignant Syndrome	Total
Salaries & Wages	\$ 116,032	27,302	20,476	22,751	\$ 186,561
Payroll expenses	30,064	7,074	5,305	5,895	48,338
Materials	19,925	4,688	3,516	3,907	32,036
Telephone	2,388	562	421	468	3,839
Postage & Shipping	9,701	2,283	1,712	1,902	15,598
Insurance	-	1,000	-	1,000	2,000
Occupancy	-	-	-	-	-
Bank charges	-	-	-	-	-
Professional fees	-	-	-	-	-
Contracted services	11,386	2,679	2,009	2,233	18,307
Printing & Publications	28,073	5,708	4,282	4,758	42,821
Conferences & Meetings	20,075	3,393	-	2,828	26,296
Awards & Honors	9,000	-	-	3,000	12,000
Research grants	-	87,000	-	-	87,000
Travel	34,360	-	-	4,140	38,500
Depreciation	-	-	-	-	-
Total program services	\$ 281,004	141,689	37,721	52,882	\$ 513,296

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SUPPORTING SERVICES

For the year ended September 30, 2009	General & Administrative	Fundraising	Total	2009
Salaries & Wages	\$ 15,926	25,026	\$ 40,952	\$ 227,513
Payroll expenses	4,126	6,484	10,610	58,948
Materials	2,735	4,297	7,032	39,068
Telephone	328	515	843	4,682
Postage & Shipping	1,331	2,092	3,423	19,021
Insurance	3,147	-	3,147	5,147
Occupancy	14,250	-	14,250	14,250
Bank charges	4,315	-	4,315	4,315
Professional fees	29,288	-	29,288	29,288
Contracted services	1,563	2,456	4,019	22,326
Printing & Publications	3,331	1,427	4,758	47,579
Conferences & Meetings	1,979	-	1,979	28,275
Awards & Honors	-	-	-	12,000
Research grants	-	-	-	87,000
Travel	2,898	-	2,898	41,398
Depreciation	5,195	-	5,195	5,195
Total supporting services	\$ 90,412	42,297	\$ 132,709	\$ 646,005

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF NATURAL EXPENSES

For the years ended September 30,	2009	2008	2007
Salaries & Wages	\$ 227,513	236,276	227,580
Payroll expenses	58,948	56,629	55,404
Materials	39,068	46,445	51,313
Telephone	4,682	5,067	5,861
Postage & Shipping	19,021	30,740	21,549
Insurance	5,147	5,070	6,768
Occupancy	14,250	14,418	14,316
Bank charges	4,315	450	470
Professional fees	29,288	35,950	30,179
Contracted services	22,326	28,001	30,375
Printing & Publications	47,579	48,282	38,828
Conferences & Meetings	28,275	47,155	45,799
Awards & Honors	12,000	11,450	8,600
Research grants	87,000	110,629	117,031
Travel	41,398	63,264	65,519
Other	-	453	568
Depreciation	5,195	4,438	4,867
Total natural expenses	\$ 646,005	744,717	725,027

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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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of MHAUS and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MHAUS. Generally, the donors of these assets permit MHAUS to use all or part of the income earned on any related investments for general or specific purposes.

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

Contributions and Grants

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

support that increases those net asset classes. When temporary restrictions expire, temporarily restricted net assets become unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

At September 30, 2009 there was a grant receivable of \$20,000 which is classified as temporarily restricted net assets.

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. Donations of property and equipment are recorded as support at their estimated fair value on the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and furniture	2-10 years
Leasehold improvements	5-15 years

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.

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

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.

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

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

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, depending on job classification, length of service, and other factors. The liability for compensated absences as of September 30, 2009, 2008, and 2007 was \$7,476, \$3,813, and \$4,695, respectively. Compensated absences are shown as accrued liabilities on the statement of financial position.

There are no unfunded health care or retirement plans.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2

Restrictions on Net Assets

The Organization's unrestricted net assets:

September 30,	2009	
Designated for property and equipment	\$	13,569
Undesignated		633,278
Unrestricted net assets	\$	646,847

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

September 30, 2009	Permanent	Temporary	Total
Lila and Jerry Lewis Memorial Fund	\$ 87,338	23,257	\$ 110,595
Rosenberg Research Fund	45,019	8,798	53,817
Shah Educational Awareness Fund	21,723	3,836	25,559
Daniel Massik Memorial Fund	-	1,500	1,500
American Society of Anesthesiologists	-	20,000	20,000
Restricted net assets	\$ 154,080	57,391	\$ 211,471

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, 2009	Permanent	Temporary	Total
Procter & Gamble Pharmaceuticals	\$ -	9,063	\$ 9,063
American Association of Nurse Anesthetists	-	5,500	5,500
North American Partners in Anesthesia	-	5,000	5,000
TOCP Ambulatory Surgery Foundation	-	10,000	10,000
Eagle Pharmaceuticals	-	5,000	5,000
Daniel Massik Memorial Fund	-	1,500	1,500
Janssen Medical Affairs, LLC	-	10,000	10,000
Astra Zeneca LP	-	10,000	10,000
Bristol-Meyers Squibb	-	5,000	5,000
US WorldMeds, LLC	-	6,000	6,000
JHP Pharmaceuticals	-	327,800	327,800
Neuroleptic Malignant Syndrome Donors	-	1,222	1,222
Total net assets released from restrictions	\$ -	396,085	\$ 396,085

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.

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:

September 30, 2009	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 74,713	\$ 66,535	\$ (8,178)
Mutual Funds	38,010	38,599	589
Fixed Income Securities	182,007	181,963	(44)
	<u>\$ 294,730</u>	<u>\$ 287,097</u>	<u>\$ (7,633)</u>

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

For the years ended September 30,	2009	2008	2007
Capital Gains			
Realized gains (loss)	\$ 2,563	5,429	14,571
Unrealized gains (loss)	(6,249)	(20,604)	10,213
Capital gain distributions	-	661	347
Interest earned			
Fixed income securities	4,337	10,928	13,434
Government obligations	3,129	13,864	18,189
Insurance company CD	-	2,463	2,450
Dividends			
Equities	1,270	1,480	2,697
	<u>\$ 5,050</u>	<u>14,221</u>	<u>61,901</u>

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 JHP Pharmaceuticals. JHP Pharmaceuticals produces the drug dantrolene sodium for injection (Dantrium). Dantrium IV has been found to be a fast acting, effective treatment of malignant hyperthermia. A loss of the JHP Pharmaceuticals contribution could have a materially adverse effect on the Organization.

NOTE 7 Lease Commitments

The Organization is obligated under a lease agreement for its office space. The lease expense for the years ended September 30, 2009, 2008, and 2007 was \$13,200, \$13,200, and \$13,000, respectively.