

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017, 2016, and 2015

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1
Statement of Financial Position At September 30, 2017, 2016 and 2015	3
Statement of Activities and Changes in Net Assets For the years ended September 30, 2017, 2016 and 2015	4
Statement of Cash Flows For the years ended September 30, 2017, 2016 and 2015	5
Statement of Functional Expenses For the year ended September 30, 2016	6 - 8
Notes to the Financial Statements	9 - 20

Cwynar & Company

12 South Broad Street
Suite 3
Norwich, New York 13815

Certified Public Accountants
A Professional Limited Liability Company

(607) 334-3838 voice
(607) 334-3837 fax
www.cwynar.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of Malignant Hyperthermia Association of the United States, Inc. (a nonprofit organization), as of September 30, 2017, 2016, and 2015, and the related statements of activities and changes in net assets, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Independent Auditor's Report (Continued)

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, 2017, 2016, and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cwynar & Company

Norwich, New York
March 29, 2018

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FINANCIAL POSITION

At September 30,	2017	2016	2015
ASSETS			
Cash and equivalents	\$ 76,028	\$ 66,123	\$ 2,886
Short-term investments	20,482	7,054	12,482
Accounts receivable	2,850	1,713	102
Contributions receivable	55,000	51,000	25,026
Inventories	43,074	22,713	41,364
Prepaid expenses	20,281	25,313	10,099
Investments, at fair value	1,070,220	962,558	925,469
Land, buildings and equipment, net	164,286	162,357	165,554
Intangible assets, net	29,691	22,269	4,643
Endowment investments	337,075	305,648	279,822
Total assets	\$ 1,818,987	\$ 1,626,748	\$ 1,467,447
LIABILITIES			
Accounts payable	\$ 51,949	\$ 29,064	\$ 24,117
Deferred revenue	-	-	2,005
Accrued liabilities	9,316	3,410	6,006
Total liabilities	61,265	32,474	32,128
NET ASSETS			
Unrestricted undesignated	1,378,496	1,246,276	1,155,497
Unrestricted board designated	59,218	59,218	59,212
Temporarily restricted	126,064	107,965	59,197
Permanently restricted	193,944	180,815	161,413
Total net assets	1,757,722	1,594,274	1,435,319
Total liabilities and net assets	\$ 1,818,987	\$ 1,626,748	\$ 1,467,447

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended September 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	2016	2015
Revenue, gains, and other support:						
Contributions	\$ 151,186	\$ 179,000	\$ 250	\$ 330,436	\$ 313,492	\$ 369,863
Grants from business community	-	32,902	-	32,902	119,950	33,350
Grants from government agencies	-	15,000	-	15,000	-	-
Program service fees	15,805	-	-	15,805	24,063	6,307
Interest and dividend income	23,162	6,426	-	29,588	27,990	32,604
Net unrealized and realized gains on investments	98,739	2,121	12,879	113,739	103,088	(52,108)
Gross profit on sales	200,298	-	-	200,298	150,138	171,215
Rental income, net	14,350	-	-	14,350	10,241	12,452
Other income	552	-	-	552	121	5,106
Revenue, gains, and other support	504,092	235,449	13,129	752,670	749,083	578,789
Expiration of time and purpose restrictions	217,350	(217,350)	-	-	-	-
Total revenues, gains and other support	721,442	18,099	13,129	752,670	749,083	578,789
Expenses						
Program services:						
Education	388,935	-	-	388,935	470,844	461,998
Research & clinical	70,843	-	-	70,843	52,986	64,000
Patient	8,201	-	-	8,201	6,436	6,216
Neuroleptic Malignant Syndrome	127	-	-	127	-	-
Total program services	468,106	-	-	468,106	530,266	532,214
General & Administrative	107,052	-	-	107,052	42,699	41,776
Wages & Benefits	-	-	-	-	-	-
Fundraising	14,064	-	-	14,064	17,163	16,577
Total expenses	589,222	-	-	589,222	590,128	590,567
Change in net assets	132,220	18,099	13,129	163,448	158,955	(11,778)
Net Assets - Beginning of the year	1,305,494	107,965	180,815	1,594,274	1,435,319	1,447,097
Net Assets - End of the year	\$ 1,437,714	\$ 126,064	\$ 193,944	\$ 1,757,722	\$ 1,594,274	\$ 1,435,319

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF CASH FLOWS

For the years ended September 30,	2017	2016	2015
OPERATING ACTIVITIES			
Change in net assets	\$ 163,448	\$ 158,955	\$ (11,778)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	16,540	10,812	16,218
Unrealized (Gain) Loss on marketable securities	(113,503)	(85,567)	54,537
Realized (Gain) Loss on marketable securities	21,709	(7,949)	(2,429)
Changes in operating assets and liabilities:			
Grants receivable	(4,000)	(25,974)	74,974
Accounts receivable	(1,137)	(1,611)	3,439
Prepaid expenses	5,032	(15,214)	(622)
Inventories	(20,361)	18,651	(2,106)
Accounts payable	22,885	4,947	(14,964)
Deferred revenue	-	(2,005)	2,005
Accrued liabilities	5,906	(2,596)	(3,297)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	96,519	52,449	115,977
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets	(25,891)	(25,240)	(5,335)
Proceeds from sale of marketable securities	43,740	49,985	40,107
Purchase of marketable securities	(91,035)	(37,003)	(310,656)
Net change in endowment cash investments	(13,428)	23,046	(12,264)
CASH FROM (USED IN) INVESTING ACTIVITIES	(86,614)	10,788	(288,148)
INCREASE (DECREASE) IN CASH DURING YEAR	9,905	63,237	(172,171)
Cash at the beginning of the year	66,123	2,886	175,057
Cash at the end of the year	\$ 76,028	\$ 66,123	\$ 2,886

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

PROGRAM SERVICES

For the year ended September 30, 2017	Education	Research & Clinical	Patient	Neuroleptic Malignant Syndrome	Total
Compensation and related expenses:					
Salaries & Wages	\$ 214,357	-	4,375	-	\$ 218,732
Employee benefits	68,285	-	281	-	68,566
Payroll taxes	16,388	-	328	-	16,716
	<u>299,030</u>	<u>-</u>	<u>4,984</u>	<u>-</u>	<u>304,014</u>
Materials	12,785	-	-	127	12,912
Telephone	-	-	-	-	-
Postage & Shipping	8,256	3,538	-	-	11,794
Insurance	-	-	-	-	-
Occupancy	-	-	-	-	-
Professional fees	-	-	-	-	-
Contracted services	22,434	3,271	3,217	-	28,922
Printing & Publications	3,189	-	-	-	3,189
Conferences & Meetings	13,486	11,034	-	-	24,520
Research grants	-	53,000	-	-	53,000
Travel	28,106	-	-	-	28,106
Other	1,649	-	-	-	1,649
Depreciation and amortization	-	-	-	-	-
Total program services	\$ 388,935	70,843	8,201	127	\$ 468,106

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

SUPPORTING SERVICES

For the year ended September 30, 2017	General & Administrative	Fundraising	Total	2017
Compensation and related expenses:				
Salaries & wages	\$ 12,085	10,876	\$ 22,961	\$ 241,693
Employee benefits	1,944	1,583	3,527	72,093
Payroll taxes	924	831	1,755	18,471
	<u>14,953</u>	<u>13,290</u>	<u>28,243</u>	<u>332,257</u>
Materials	-	-	-	12,912
Telephone	634	-	634	634
Postage & Shipping	11,795	-	11,795	23,589
Insurance	5,274	-	5,274	5,274
Occupancy	14,424	-	14,424	14,424
Professional fees	19,514	-	19,514	19,514
Contracted services	12,727	774	13,501	42,423
Printing & Publications	3,189	-	3,189	6,378
Conferences & Meetings	-	-	-	24,520
Research grants	-	-	-	53,000
Travel	7,026	-	7,026	35,132
Other	976	-	976	2,625
Depreciation and amortization	16,540	-	16,540	16,540
Total supporting services	\$ 107,052	14,064	\$ 121,116	\$ 589,222

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the years ended September 30,	2017	2016	2015
Compensation and related expenses:			
Salaries & Wages	\$ 241,693	\$ 234,391	\$ 212,482
Employee benefits	72,093	62,402	64,578
Payroll taxes	18,471	18,823	17,425
	332,257	315,616	294,485
Materials	12,912	10,397	8,618
Telephone	634	742	837
Postage & Shipping	23,589	6,647	13,578
Insurance	5,274	7,081	6,990
Occupancy	14,424	9,147	11,387
Professional fees	19,514	22,369	30,636
Contracted services	42,423	67,146	57,029
Printing & Publications	6,378	5,256	5,943
Conferences & Meetings	24,520	59,180	46,860
Research grants	53,000	50,000	63,000
Travel	35,132	26,605	35,858
Other	2,625	592	590
Depreciation and amortization	16,540	9,350	14,756
Total natural expenses	\$ 589,222	\$ 590,128	\$ 590,567

See independent auditors' report

See accompanying notes to the financial statements

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. The Organization's major support comes from contributions and grants from the business community and sales of educational materials.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and the changes therein are classified and reported as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted net assets - Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations..

Temporarily restricted net assets - Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Permanently restricted net assets – Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Accounts Receivable

The Organization considers accounts to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

Short Term Investments

The organization invests cash in excess of its immediate needs in money market funds and U.S Government and Government Agency issues. Short term investments are reported at fair value.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Inventory

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 average cost.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Sale of Educational Materials

These revenues are shown on the accompanying Statement of Activities net of cost of sales. Shipping and handling costs are included in the cost of sales. The amount was calculated as follows:

For the years ended September 30,	2017	2016	2015
Sales revenue	\$ 236,784	\$ 216,152	\$ 226,322
Cost of sales	36,486	66,014	55,107
Gross profit on sales	\$ 200,298	\$ 150,138	\$ 171,215

Prepaid Expenses

Prepaid expenses include expenditures for future conferences and meetings, travel, contracted services and the portion of paid insurance relating to the future accounting period.

Investments

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Long-term investing is governed by the Organization's investment policy. The Investment Committee of the Board is responsible for oversight of all investments and compliance with the investment policies, which are approved by the Investment Committee and the Board. The investment policies attempt to provide a predictable stream of funding to Organization programs, while seeking to maintain the purchasing power of the assets. The investments are invested in a widely diversified portfolio in a manner to promote both growth and current income to achieve the policy's objectives. Diversification of portfolio assets is an integral part of the Organization's investment philosophy to provide reasonable assurance that no single security or class of security will have a disproportionate impact on the total investment pool. As such, funds are placed with managers who have distinct investment philosophies.

The Organization has various controls and policies in place related to the purchase, sale, and valuation of its investment securities. Purchases and sales of investments are recorded on trade dates and realized and unrealized gains and losses are determined on the basis of average cost of securities. Realized and unrealized appreciation or depreciation in the carrying value of investments is classified as part of either unrestricted, temporarily restricted, or permanently restricted net assets in accordance with applicable donor and legal requirements.

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 (See Note 6):

Equipment and furniture	2 - 10 years
Buildings and improvements	15 - 40 years

Intangibles

Intangibles consist of website and inventory development costs, which are amortized using the

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

straight-line method over the estimated life of the asset (See Note 7).

Endowment Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the organization's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund, or may permit the organization to spend those amounts in accordance with the donor's restrictions on use.
- Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value. The investment and spending policies for the Endowment Fund are discussed in note 3.

Deferred Revenues

Educational conference registrations received are recognized as revenue when the event occurs.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the organization has an irrevocable right to the bequest.

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.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Advertising

Advertising costs are generally charged to operations as incurred.

Tax Status

The organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2017, 2016, 2015 and 2014 are still open to audit for both federal and state purposes.

Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Expense Allocation

Certain expenses have been allocated between program expenses, management and general expenses and fundraising expenses. These allocations were based on management's estimates.

Functional Classification of Expenses

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

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.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

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, 2017, 2016, and 2015 was \$7,670, \$2,633, and \$4,038, respectively. Compensated absences are shown as accrued liabilities on the statement of financial position. There are no unfunded health care or retirement plans.

Awards and Grants

In accordance with the Organization's guidelines, it makes awards and grants for research and professional education purposes. The liability and related expense for awards and grants are recognized at the time of notification and acceptance by the recipients.

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts which at times may exceed federally insured limits.

Subsequent Events

The Organization has evaluated events and transactions that occurred between October 1, 2017 and March 28, 2018, which is the date the financial statements were available to be issued, for matters that would require disclosure and/or recognition in the financial statements. No significant matters were noted during that time period that would require such disclosure or recognition.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2016 and 2015, from which the summarized information was derived. Certain prior period amounts have been reclassified to conform to current period presentation.

NOTE 2

Restrictions on Net Assets

The Organization's unrestricted net assets:

September 30,		2017
Designated for property and equipment	\$	164,286
Undesignated		1,214,210
Unrestricted net assets	\$	1,378,496

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

September 30, 2017	Permanent	Temporary	Total
Lila and Jerry Lewis Memorial Fund	\$ 120,519	32,010	\$ 152,529
Rosenberg Research Fund	49,043	10,060	59,103
Shah Educational Awareness Fund	24,382	5,545	29,927
American Society of Anesthesiologists Grant	-	25,000	25,000
American Association of Nurse Anesthetists Grant	-	6,000	6,000
NIAMS Grant	-	15,000	15,000
US WorldMeds LLC Sponsorship	-	9,000	9,000
Napolitano Memorial Fund	-	23,397	23,397
Restricted net assets	\$ 193,944	126,012	\$ 319,956

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, 2017	Permanent	Temporary	Total
Eagle Pharmaceuticals Sponsorship	\$ -	155,000	\$ 155,000
US WorldMeds LLC Sponsorship	-	6,000	6,000
Lila and Jerry Lewis Memorial Fund	-	3,000	3,000
State Anesthesia Societies	-	1,850	1,850
Barnabas Health Grant	-	5,000	5,000
FCB Health Sponsorship	-	9,000	9,000
PAR Pharmaceuticals Sponsorship	-	37,500	37,500
Total net assets released from restrictions	\$ -	217,350	\$ 217,350

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.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

VINCENT A. NAPOLITANO MEMORIAL FUND

This fund was established by the MHAUS Board of Directors. The purpose of the Fund is to alert and educate medical professionals in addition to anesthesiologists who may come in contact with an MH episode, to work towards a goal of having a diagnosis and treatment of malignant hyperthermia made part of the medical curricula and certifying examinations of these professional groups, and furthering the cause of controlling malignant hyperthermia as deemed appropriate by the Board of Directors.

MHAUS ENDOWMENT FUND

This fund was also established by the MHAUS Board of Directors. The principal may not be expended by MHAUS without majority vote of the Board. The income and gains earned by the fund may be used for the benefit of MHAUS in such a manner as the Board may from time to time determine. However, the amount of earnings available for operations shall not exceed five percent of the previous year's principal as valued December 31 unless the Board determines otherwise via majority vote.

	Lila and Jerry Lewis Memorial Fund	Rosenberg Research Fund	Shah Educational Awareness Fund	Vincent A. Napolitano Memorial Fund	Board Designated Endowment Challenge Fund
Balance 10/1/2016	\$ 142,880	\$ 54,516	\$ 28,053	\$ 20,831	\$ 59,368
Investment returns	12,649	4,337	1,874	2,566	78
Donor contributions	-	250	-	-	12,673
Appropriated for expenditure	(3,000)	-	-	-	-
Balance 9/30/2017	\$ 152,529	\$ 59,103	\$ 29,927	\$ 23,397	\$ 72,119

Return Objectives and Risk Parameters

The Board has adopted investment and spending procedures for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. The goal is to provide an investment return while reducing market risk.

NOTE 4

Investments in Marketable Securities

A Board of Directors governs the Organization's investment policies. The Organization has entered into an investment management agreements with local financial institutions 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:

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2017	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 271,524	\$ 477,087	\$ 205,563
Foreign Equity Securities	68,656	82,713	14,057
Mutual Funds - Equities	375,719	433,751	58,032
Mutual Funds - Fixed Income	76,952	76,669	(283)
	<u>\$ 792,851</u>	<u>\$ 1,070,220</u>	<u>\$ 277,369</u>

September 30, 2016	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 261,727	\$ 402,855	\$ 141,128
Foreign Equity Securities	75,477	77,292	1,815
Mutual Funds - Equities	387,218	408,844	21,626
Mutual Funds - Fixed Income	74,219	73,567	(652)
	<u>\$ 798,641</u>	<u>\$ 962,558</u>	<u>\$ 163,917</u>

September 30, 2015	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 275,034	\$ 361,200	\$ 86,166
Foreign Equity Securities	72,248	74,536	2,288
Mutual Funds - Equities	411,498	421,477	9,979
Mutual Funds - Fixed Income	71,886	68,256	(3,630)
	<u>\$ 830,666</u>	<u>\$ 925,469</u>	<u>\$ 94,803</u>

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,	2017	2016	2015
Capital Gains			
Realized gains (loss)	\$ (21,709)	\$ 7,949	\$ 2,429
Unrealized gains (loss)	113,503	69,114	(47,134)
Capital gain distributions	6,947	8,517	5,387
Interest earned			
Fixed income securities	389	384	384
Government obligations	-	1	3
Dividends			
Equities	22,697	21,688	20,396
	<u>\$ 121,827</u>	<u>\$ 107,653</u>	<u>\$ (18,535)</u>

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5

Fair Value Measurements

Fair values of assets measured on a recurring basis at September 30, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,070,220	\$ 1,070,220	\$ -	\$ -
Contributions receivable	57,850	-	57,850	-
	<u>\$ 1,128,070</u>	<u>\$ 1,070,220</u>	<u>\$ 57,850</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at September 30, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 969,612	\$ 969,612	\$ -	\$ -
Contributions receivable	52,713	-	52,713	-
	<u>\$ 1,022,325</u>	<u>\$ 969,612</u>	<u>\$ 52,713</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at September 30, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 1,115,087	\$ 1,115,087	\$ -	\$ -
Contributions receivable	25,026	-	25,026	-
	<u>\$ 1,140,113</u>	<u>\$ 1,115,087</u>	<u>\$ 25,026</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for grants and contributions receivable is determined by discounting the total promised using the short term annual applicable federal rates for contributions expected to be paid over a period of more than one year. All contributions receivable are due in one year or less. Therefore, no discount is reflected in the table above.

Promises to Give - Fair Value Election

Unconditional promises to give are reported at a net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at a net realizable value over the term of the promise as the Organization has not elected the fair value option in relation to

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

unconditional promises to give. There were no unconditional promises to give expected to be collected in more than one year at September 30, 2017, 2016, and 2015.

NOTE 6

Property and Equipment

Property and equipment consist of the following:

At September 30,	9/30/2016	Additions	Disposals	9/30/2017
Buildings and improvements	\$ 123,946	3,493	-	\$ 127,439
Buildings and improvements - rental units	58,509	-	-	58,509
Furniture and fixtures	12,358	-	-	12,358
Machinery and equipment	47,734	-	(34,696)	13,038
Total fixed assets	242,547	3,493	(34,696)	211,344
Accumulated depreciation	(80,190)	(5,972)	39,104	(47,058)
Fixed assets, net	<u>\$ 162,357</u>			<u>\$ 164,286</u>

Depreciation expense for the years 2017, 2016 and 2015 totaled \$5,972, \$6,065, and \$6,187, respectively. Depreciation on rental units is presented net of rental income on the statement of activities. Depreciation expense related to net rental income was \$1,462 in 2017, \$1,462 in 2016, and \$1,462 in 2015.

NOTE 7

Intangibles

Intangibles consist of website and inventory development costs, which are amortized using the straight-line method over the estimated life of the asset.

At September 30,	9/30/2016	Additions	Disposals	9/30/2017
Website development	\$ 39,969	17,990	-	\$ 57,959
Inventory development	35,000	-	-	35,000
Total intangible assets	74,969	17,990	-	92,959
Accumulated amortization	(52,700)	(10,568)	-	(63,268)
Intangible assets, net	<u>\$ 22,269</u>			<u>\$ 29,691</u>

Amortization expense for the years 2017, 2016 and 2015 totaled \$10,568, \$4,747, and \$10,031 respectively. Amortization expenses to be recorded on development costs for the year ended September 30 in future years are as follows:

	Amount
For the year ended September 30, 2018	\$ 11,056
2019	8,840
2020	3,598
2021	3,598
2022	2,599
	<u>\$ 29,691</u>

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 Leasing Arrangements

Facilities:

The Organization leases a portion of its building to unrelated individuals as residential rental space. Rents collected in 2017, 2016 and 2015 totaled \$14,350, \$13,927, and \$15,600. All tenant rental agreements are month to month leases.

Equipment:

The Organization leases office equipment under operating leases with varying expirations for total annual lease payments of \$3,212 in 2017. The minimum lease payments required under the above operating leases as of September 30, 2016 are as follows:

2018	\$ 2,409
Total	<u>\$ 2,409</u>

NOTE 9 Post-Employment Employee Benefits

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

NOTE 10 Concentrations and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of bank and brokerage deposits. The Organization places its temporary cash investments with financial institutions and brokerages. At times, the Organization's cash exceeds the current insured amount under the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation. However, management believes the risk of loss to be minimal. In addition, the Organization's investments are exposed to various risks, such as interest rate fluctuations and market valuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Organization's consolidated statements of financial position and activities.

A major part of the Organization's contributions come from Eagle Pharmaceuticals. Eagle Pharmaceuticals produces the drug Ryanodex which is found to be an effective treatment of malignant hyperthermia. A loss of the contributions from this donor could have a materially adverse effect on the Organization. The Organization believes that the concentration of credit risk is limited due to the reputation, reliability, and the Organization's history with the donors. Revenues from Eagle Pharmaceuticals consisted of approximately 20% of the total revenue, gains and support.

NOTE 11 Related Party Transactions

The Organization received contributions and receipts for sales of educational materials to board members and key employees totaling \$2,192 in 2017.

The Organization paid \$11,752, in expense reimbursements to members of its Board and key employees in 2017. The Organization retains documentation of all reimbursed expenses.