

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019, 2018 and 2017**



# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Malignant Hyperthermia Association of the United States, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019, 2018 and 2017, and the related 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 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, 2019, 2018 and 2017, 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  
January 7, 2020

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENT OF FINANCIAL POSITION

At September 30,	2019	2018	2017
<b>ASSETS</b>			
Cash and equivalents	\$ 53,091	\$ 56,954	\$ 76,028
Short-term investments	60,606	28,469	20,482
Accounts receivable	5,342	6,107	2,850
Contributions receivable	-	-	55,000
Inventories	31,697	19,866	43,074
Prepaid expenses	20,463	18,547	20,281
Investments, at fair value	1,207,687	1,144,686	1,070,220
Land, buildings and equipment, net	174,610	174,340	164,286
Intangible assets, net	6,478	19,199	29,691
Endowment investments	372,859	358,053	337,075
<b>Total assets</b>	<b>\$ 1,932,833</b>	<b>\$ 1,826,221</b>	<b>\$ 1,818,987</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 58,506	\$ 18,497	\$ 51,949
Deferred revenue	-	3,319	-
Accrued liabilities	13,373	13,409	9,316
<b>Total liabilities</b>	<b>71,879</b>	<b>35,225</b>	<b>61,265</b>
<b>NET ASSETS</b>			
Without donor restrictions:			
Unrestricted undesignated	1,473,255	1,406,343	1,365,595
Unrestricted board designated	95,217	93,340	72,119
With donor restrictions:			
Purpose-restricted	14,840	26,600	46,000
Donor-restricted endowment funds	277,642	264,713	274,008
<b>Total net assets</b>	<b>1,860,954</b>	<b>1,790,996</b>	<b>1,757,722</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,932,833</b>	<b>\$ 1,826,221</b>	<b>\$ 1,818,987</b>

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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, 2019	Without Donor Restrictions	With Donor Restrictions	Total	2018	2017
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Contributions	\$ 236,542	\$ 1,050	\$ 237,592	\$ 259,233	\$ 330,436
Grants from business community	-	43,580	43,580	61,050	32,902
Grants from government agencies	-	-	-	-	15,000
Program service fees	13,240	-	13,240	21,620	15,805
Interest and dividend income	29,216	7,306	36,522	32,533	29,588
Net unrealized and realized gains on investments	60,621	5,123	65,744	64,554	113,739
Gross profit on sales	304,139	-	304,139	134,802	200,298
Rental income, net	11,907	-	11,907	11,468	11,344
Other income	419	-	419	53,195	552
Revenue, gains, and other support	656,084	57,059	713,143	638,455	749,664
Expiration of time and purpose restrictions	55,890	(55,890)	-	-	-
Total revenues, gains and other support	711,974	1,169	713,143	638,455	749,664
<b>EXPENSES</b>					
Program services:					
Education	450,694	-	450,694	452,436	462,111
Research & clinical	50,537	-	50,537	64,500	58,600
Patient	46,348	-	46,348	6,760	6,406
Neuroleptic Malignant Syndrome	26,954	-	26,954	22,098	127
Total program services	574,533	-	574,533	545,794	527,244
General & Administrative	50,407	-	50,407	41,360	41,890
Fundraising	18,245	-	18,245	18,027	17,082
Total expenses	643,185	-	643,185	605,181	586,216
Change in net assets	68,789	1,169	69,958	33,274	163,448
Net Assets - Beginning of the year	1,499,683	291,313	1,790,996	1,757,722	1,594,274
Net Assets - End of the year	\$ 1,568,472	\$ 292,482	\$ 1,860,954	\$ 1,790,996	\$ 1,757,722

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENT OF CASH FLOWS

For the years ended September 30,	2019	2018	2017
<b>OPERATING ACTIVITIES</b>			
Change in net assets	\$ 69,958	\$ 33,274	\$ 163,448
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	20,208	21,185	16,540
Unrealized (Gain) Loss on marketable securities	(30,905)	(46,166)	(113,503)
Realized (Gain) Loss on marketable securities	(14,731)	(1,017)	21,709
Changes in operating assets and liabilities:			
Grants receivable	-	55,000	(4,000)
Accounts receivable	765	(3,257)	(1,137)
Prepaid expenses	(1,916)	1,734	5,032
Inventories	(11,831)	23,208	(20,361)
Accounts payable	40,009	(33,452)	22,885
Deferred revenue	(3,319)	3,319	-
Accrued liabilities	(36)	4,093	5,906
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>68,202</b>	<b>57,921</b>	<b>96,519</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of fixed and intangible assets	(7,756)	(20,747)	(25,891)
Proceeds from sale of marketable securities	26,456	7,875	43,740
Purchase of marketable securities	(43,822)	(35,158)	(59,608)
Net change in short-term cash investments	(32,137)	(7,987)	(13,428)
Net change in endowment investments	(14,806)	(20,978)	(31,427)
<b>CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(72,065)</b>	<b>(76,995)</b>	<b>(86,614)</b>
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	<b>(3,863)</b>	<b>(19,074)</b>	<b>9,905</b>
Cash at the beginning of the year	56,954	76,028	66,123
Cash at the end of the year	\$ 53,091	\$ 56,954	\$ 76,028

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

### PROGRAM SERVICES

For the year ended September 30, 2019	Education	Research & Clinical	Patient	Neuroleptic Malignant Syndrome	Total
Compensation and related expenses:					
Salaries & Wages	\$ 197,258	-	3,467	10,771	\$ 211,496
Employee benefits	56,143	-	987	3,066	60,196
Payroll taxes	14,780	-	260	807	15,847
	268,181	-	4,714	14,644	287,539
Materials	7,335	-	123	20	7,478
Telephone and Internet	3,276	-	55	18	3,349
Postage & Shipping	6,992	-	117	-	7,109
Insurance	-	-	2,000	-	2,000
Occupancy	6,576	-	109	-	6,685
Professional fees	17,901	-	298	-	18,199
Contracted services	65,765	41	1,256	9,584	76,646
Printing & Publications	4,812	-	80	-	4,892
Conferences & Meetings	14,551	-	23,185	-	37,736
Leasing	5,350	-	89	-	5,439
Awards & Honors	3,000	-	-	-	3,000
Research grants	-	50,000	-	-	50,000
Travel	32,879	496	14,322	2,688	50,385
Other	-	-	-	-	-
Depreciation and amortization	14,076	-	-	-	14,076
<b>Total program services</b>	<b>\$ 450,694</b>	<b>50,537</b>	<b>46,348</b>	<b>26,954</b>	<b>\$ 574,533</b>

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

<b>SUPPORTING SERVICES</b>				<b>Total</b>		
For the year ended September 30, 2019	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>Total</b>	<b>2019</b>	2018	2017
Compensation and related expenses:						
Salaries & wages	\$ 10,401	9,246	\$ 19,647	<b>\$ 231,143</b>	\$ 243,228	\$ 241,693
Employee benefits	2,960	2,631	5,591	<b>65,787</b>	68,920	72,093
Payroll taxes	779	693	1,472	<b>17,319</b>	19,667	18,471
	<u>14,140</u>	<u>12,570</u>	<u>26,710</u>	<b>314,249</b>	331,815	332,257
Materials	368	327	695	<b>8,173</b>	6,822	8,243
Telephone and Internet	165	146	311	<b>3,660</b>	1,073	906
Postage & Shipping	349	311	660	<b>7,769</b>	7,214	7,168
Insurance	4,989	-	4,989	<b>6,989</b>	6,801	6,906
Occupancy	329	292	621	<b>7,306</b>	9,482	8,920
Professional fees	16,987	796	17,783	<b>35,982</b>	27,591	19,466
Contracted services	3,770	3,351	7,121	<b>83,767</b>	68,710	51,017
Printing & Publications	241	214	455	<b>5,347</b>	1,845	2,775
Conferences & Meetings	1,778	-	1,778	<b>39,514</b>	15,425	33,894
Leasing	267	238	505	<b>5,944</b>	4,682	4,682
Awards & Honors	-	-	-	<b>3,000</b>	9,000	1,000
Research grants	-	-	-	<b>50,000</b>	60,000	56,600
Travel	2,374	-	2,374	<b>52,759</b>	34,314	36,615
Other	371	-	371	<b>371</b>	685	690
Depreciation and amortization	4,279	-	4,279	<b>18,355</b>	19,722	15,077
<b>Total supporting services</b>	<b>\$ 50,407</b>	<b>18,245</b>	<b>\$ 68,652</b>	<b>\$ 643,185</b>	<b>\$ 605,181</b>	<b>\$ 586,216</b>

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# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements. The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

#### 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 two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for 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.

**Net Assets With Donor Restrictions** Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use. 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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

### **Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

### **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

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### 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,	2019	2018	2017
Sales revenue	\$ 362,189	\$ 220,079	\$ 236,784
Cost of sales	58,050	85,277	36,486
Gross profit on sales	\$ 304,139	\$ 134,802	\$ 200,298

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **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.

### **Advertising**

Advertising costs are generally charged to operations as incurred.



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## **NOTES TO THE FINANCIAL STATEMENTS**

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### **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 2019, 2018, and 2017 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

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### **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, 2019, 2018 and 2017 was \$5,900, \$7,834, and \$2,792 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, 2019 and January 7, 2020, 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, 2018 and 2017, from which the summarized information was derived. Certain prior period amounts have been reclassified to conform to current period presentation.

### **Change in Accounting Principles**

The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (note 2)

The changes have the following effect on net assets at October 1, 2018:

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,499,683	\$ -
Temporarily restricted net assets	95,519	-
Permanently restricted net assets	195,794	-
Net assets without donor restrictions	-	291,313
Net assets with donor restrictions	-	1,499,683
Total net assets	\$ 1,790,996	\$ 1,790,996

### NOTE 2

#### Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019 are:

#### Financial Assets:

Cash and cash equivalents	\$ 53,091
Short-term investments	60,606
Accounts receivable	5,342
Investments, at fair value	1,207,687
Endowment investments	372,859
Total financial assets	1,699,585
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (note 3)	(14,840)
Donor-restricted endowment funds (note 3)	(277,642)
Less board-designated endowment fund (note 4)	(95,217)
Amount available for general expenditures within one year	\$ 1,311,886

### NOTE 3

#### Net Assets with Donor Restrictions

At September 30, 2019, net assets with donor restrictions are available for the following purposes:

September 30, 2019	Total
Purpose restrictions, available for spending:	
Tardive Dyskinesia seminars	\$ 14,840
Endowment Funds, which must be appropriated by the Board of Directors before use:	
Lila and Jerry Lewis Memorial Fund - Special programs	162,862
Rosenberg Research Fund - Research activities	57,501
Shah Educational Awareness Fund - NMS education	30,475
Napolitano Memorial Fund - Medical professional education	26,804
Total Endowment Funds managed by the organization	277,642
Total net assets with donor restrictions	\$ 292,482

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 4

#### Endowment Funds and Trusts

The Organization's endowment funds consist of (a) unrestricted funds functioning as endowment through designation by the Board and (b) donor-restricted endowment funds. The earnings of the Organization's endowment funds support education programs and the mission of the Organization. Net assets associated with endowment funds, including unrestricted funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective September 17, 2010, the state of New York adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the management and use of donor-restricted endowment funds held by charitable institutions in the state of New York. Accounting principles generally accepted in the United States provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also improve disclosures about an organization's endowment funds (both donor-restricted and funds functioning as endowment).

Consistent with UPMIFA and Board policy, the Organization classifies as permanently restricted net assets the original value of gifts (including subsequent gifts) of donor-restricted endowments and, if applicable, accumulations of donor-restricted endowments as required by the donor. Accumulated earnings of donor-restricted endowments are classified as temporarily restricted net assets until distributed in accordance with UPMIFA and Board policy.

#### **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.

#### **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

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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.

As of September 30, 2019, the Organization's endowment net asset composition by type of fund was as follows:

	Lila and Jerry Lewis Memorial Fund	Rosenberg Research Fund	Shah Educational Awareness Fund	Vincent A. Napolitano Memorial Fund	<u>Board Designated</u> Endowment Challenge Fund
Balance 10/1/2018	\$ 158,916	\$ 51,231	\$ 29,330	\$ 25,236	\$ 93,340
Investment returns	3,946	5,770	1,145	1,568	(1,550)
Donor contributions	-	500	-	-	3,427
Appropriated for expenditure	-	-	-	-	-
Balance 9/30/2019	<u>\$ 162,862</u>	<u>\$ 57,501</u>	<u>\$ 30,475</u>	<u>\$ 26,804</u>	<u>\$ 95,217</u>

### NOTE 5

#### 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.

Non-endowment related investments in marketable securities are summarized as follows:

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 273,560	\$ 559,171	\$ 285,611
Foreign Equity Securities	73,158	87,121	13,963
Mutual Funds - Equities	423,522	484,675	61,153
Mutual Funds - Fixed Income	83,002	76,120	(6,882)
	<u>\$ 853,242</u>	<u>\$ 1,207,087</u>	<u>\$ 353,845</u>

September 30, 2018	Cost	Market	Unrealized Gain(Loss)
Domestic Equity Securities	\$ 272,853	\$ 531,597	\$ 258,744
Foreign Equity Securities	72,162	80,645	8,483
Mutual Funds - Equities	396,485	457,451	60,966
Mutual Funds - Fixed Income	79,651	74,994	(4,657)
	<u>\$ 821,151</u>	<u>\$ 1,144,687</u>	<u>\$ 323,536</u>

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>

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.

Investment return on non-endowment related investments are summarized as follows:

For the years ended September 30,	2019	2018	2017
<b>Capital Gains</b>			
Realized gains (loss)	\$ 14,731	\$ 1,017	\$ (21,709)
Unrealized gains (loss)	30,905	46,166	113,503
Capital gain distributions	18,101	11,096	6,947
<b>Interest earned</b>			
Fixed income securities	623	241	389
Government obligations	-	-	-
<b>Dividends</b>			
Equities	27,027	25,034	22,697
	<u>\$ 91,387</u>	<u>\$ 83,554</u>	<u>\$ 121,827</u>

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 6

#### Fair Value Measurements

The Organization has adopted Financial Accounting Standards Board *Accounting Standards Codification* (ASC) 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2—Other inputs that are directly or indirectly observable in the marketplace.
- Level 3—Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the valuation methods.

- Short-term cash equivalent investments are recorded based on their carrying value, which approximates fair value.
- Common stock and mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded, using the market approach.
- Equity (stock) funds listed or traded on any national market or exchange are valued at the last sales price as of the close of the principal securities exchange on which such securities are traded.
- Fixed income (bond) funds, other than money market instruments, are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type).

#### *Fair Value of Financial Instruments*

The Organization's financial instruments consist of cash and cash equivalents, investments, receivables, accounts payable and accrued expenses. Cash and cash equivalents, receivables, accounts payable and accrued expenses are stated at cost, which approximates fair value. Investments are recorded at their fair values.

In accordance with the fair value hierarchy described above, the following tables show the fair value of the Organization's financial assets that are required to be measured at fair value at September 30, 2019, 2018 and 2017:

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

Fair values of assets measured on a recurring basis at September 30, 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3	At September 30, 2018	At September 30, 2017
Unrestricted Investments:						
Short-term Investments	\$ 61,206	\$ 61,206	\$ -	\$ -	\$ 28,469	\$ 20,482
Domestic Equity Securities	559,171	559,171	-	-	531,597	477,087
Foreign Equity Securities	87,121	87,121	-	-	80,645	82,713
Mutual Funds - Equities	484,675	484,675	-	-	457,451	433,751
Mutual Funds - Fixed Income	76,120	76,120	-	-	74,994	76,669
Endowment Investments:						
Short-term Investments	31,122	31,122	-	-	25,567	82,589
Domestic Equity Securities	26,804	26,804	-	-	25,236	23,397
Mutual Funds - Equities	192,647	192,647	-	-	189,564	107,269
Mutual Funds - Fixed Income	122,286	122,286	-	-	117,686	123,820
	\$1,641,152	\$1,641,152	\$ -	\$ -	\$ 1,531,209	\$ 1,427,777

### NOTE 7

#### Land, Buildings, and Equipment

Land, building, and equipment as of September 30, 2019 and 2018 consisted of the following:

At September 30,	9/30/2018	Additions	Disposals	9/30/2019
Buildings and improvements	\$ 141,677	2,124	-	\$ 143,801
Buildings and improvements - rental units	60,574	1,712	-	62,286
Furniture and fixtures	12,358	1,021	2,802	10,577
Machinery and equipment	13,038	2,899	2,256	13,681
Total fixed assets	227,647	7,756	5,058	230,345
Accumulated depreciation	(53,307)	(7,486)	(5,058)	(55,735)
Fixed assets, net	\$ 174,340	270	-	\$ 174,610

The Organization owns a building at its headquarters facility in Sherburne, New York, which the top floor is occupied by residential tenants.

The cost of property and equipment purchased in excess of \$500 is capitalized. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets (ranging from 3–40 years) on a straight-line basis.

Land, buildings, and equipment are stated at cost. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss on retirement or disposal of the individual assets is recorded as revenue or expense.

### NOTE 8

#### Intangibles

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



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## NOTES TO THE FINANCIAL STATEMENTS

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At September 30,	9/30/2018	Additions	Disposals	9/30/2019
Website development	\$ 44,807	-	-	\$ 44,807
Accumulated amortization	(25,608)	(12,721)	-	(38,329)
Intangible assets, net	\$ 19,199	(12,721)	-	\$ 6,478

Amortization expense for the years 2019, 2018 and 2017 totaled \$12,721, \$14,936, and \$10,568 respectively. Amortization expenses to be recorded on development costs for the year ended September 30 in future years are as follows:

For the year ended September 30, 2020	\$ 6,478
	-
	<u>\$ 6,478</u>

### NOTE 9

#### Leasing Arrangements

##### Facilities:

The Organization leases a portion of its building to unrelated individuals as residential rental space. Rents collected in 2019, 2018 and 2017 totaled \$15,320, \$14,550, and \$14,350. All tenant rental agreements are month to month leases.

##### Equipment:

The Organization leases office equipment under month-to-month operating leases for total annual lease payments of \$5,944 in 2019, \$4,682 in 2018 and \$4,682 in 2017.

### NOTE 10

#### Post-Employment Employee Benefits

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

### NOTE 11

#### 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 12% of the total revenue, gains and support.

# MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 12

#### Related Party Transactions

The Organization received contributions and receipts for sales of educational materials to board members and key employees totaling \$10,943 in 2019.

The Organization paid \$13,303, in expense reimbursements to members of its Board and key employees in 2019. The Organization retains documentation of all reimbursed expenses.