

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003, 2002 AND 2001

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

| | <u>Page No.</u> |
|--|-----------------|
| Independent Auditors Report | 1 |
| Statements of Financial Position September 30, 2003, 2002 and 2001 | 3 |
| Statements of Activities For the years ended September 30, 2003, 2002 and 2001 | 4 - 5 |
| Statements of Cash Flows For the years ended September 30, 2003, 2002 and 2001 | 6 |
| Statements of Natural Expenses For the years ended September 30, 2003, 2002 and 2001 | 7 |
| Statement of Functional Expenses For the year ended September 30, 2003 | 8 - 9 |
| Notes to the Financial Statements | 11 - 15 |

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Malignant Hyperthermia Association of the United States, Inc. as of September 30, 2003, 2002 and 2001, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Malignant Hyperthermia Association of the United States, Inc. as of September 30, 2003, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Cwynar & Company

Norwich, New York
December 1, 2003

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MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENTS OF FINANCIAL POSITION

| September 30, | 2003 | 2002 | 2001 |
|------------------------------|-------------------|---------|---------|
| ASSETS | | | |
| Current assets | | | |
| Cash and equivalents | \$ 482,704 | 334,526 | 264,833 |
| Pledges receivable, net | 270 | 45,587 | 11,985 |
| Inventories | 71,800 | 73,776 | 68,134 |
| Prepaid expenses | 2,166 | 5,503 | 8,878 |
| | 556,940 | 459,392 | 353,830 |
| Endowment Investments | | | |
| Cash and equivalents | 134,767 | 128,370 | 117,683 |
| | 11,263 | 10,026 | 14,941 |
| Fixed assets, net | 11,263 | 10,026 | 14,941 |
| | \$ 702,970 | 597,788 | 486,454 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 5,842 | 21,838 | 18,373 |
| Accrued liabilities | 3,834 | 3,694 | 3,152 |
| | 9,676 | 25,532 | 21,525 |
| NET ASSETS | | | |
| Unrestricted | 524,028 | 388,886 | 289,979 |
| Temporarily restricted | 49,183 | 67,753 | 72,384 |
| Permanently restricted | 120,083 | 115,617 | 102,566 |
| | 693,294 | 572,256 | 464,929 |
| | \$ 702,970 | 597,788 | 486,454 |

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENTS OF ACTIVITIES

| For the years ended September 30, | 2003 | 2002 | 2001 |
|--|-------------------|---------|---------|
| UNRESTRICTED NET ASSETS | | | |
| Unrestricted Revenues and Gains | | | |
| Contributions | | | |
| General public | \$ 105,301 | 112,803 | 142,723 |
| Business community | 10,700 | 67,642 | 24,150 |
| Program Service Fees | | | |
| General public | 42,391 | 57,814 | 24,936 |
| Business community | 110,167 | 51,689 | 16,963 |
| Investment Transactions | | | |
| Interest income | 3,008 | 3,316 | 8,688 |
| Other gains (losses) | 3,074 | 322 | (20) |
| | 274,641 | 293,586 | 217,440 |
| Net assets released from donor restrictions | 348,685 | 332,647 | 563,571 |
| | 623,326 | 626,233 | 781,011 |
| Functional expenses | | | |
| Program services | | | |
| Education | 238,422 | 226,934 | 248,201 |
| Research & clinical | 107,219 | 125,805 | 105,929 |
| Patient | 21,512 | 22,931 | 9,526 |
| Neuroleptic Malignant Syndrome | 44,092 | 37,578 | 58,117 |
| | 411,245 | 413,248 | 421,773 |
| Supporting services | | | |
| General & Administrative | 48,272 | 55,292 | 110,820 |
| Fundraising | 28,667 | 58,786 | 49,287 |
| | 76,939 | 114,078 | 160,107 |
| | 488,184 | 527,326 | 581,880 |
| Change in unrestricted net assets | 135,142 | 98,907 | 199,131 |
| Beginning of the year | 388,886 | 289,979 | 90,848 |
| End of the year | \$ 524,028 | 388,886 | 289,979 |

See independent auditors' report

See accompanying notes to the financial statements

| For the years ended September 30, | 2003 | 2002 | 2001 |
|---|------------------|----------------|------------------|
| TEMPORARILY RESTRICTED NET ASSETS | | | |
| Grants | \$ 29,000 | 40,750 | 48,250 |
| Contributions | 285,000 | 285,000 | 305,000 |
| Contributions from general public | 14,883 | 1,631 | 3,335 |
| Net assets released from donor restrictions | (347,453) | (332,012) | (561,444) |
| Change in temporarily restricted net assts | (18,570) | (4,631) | (204,859) |
| Beginning of the year | 67,753 | 72,384 | 277,243 |
| End of the year | \$ 49,183 | 67,753 | 72,384 |

See independent auditors' report

See accompanying notes to the financial statements

| For the years ended September 30, | 2003 | 2002 | 2001 |
|--|-------------------|----------------|----------------|
| PERMANENTLY RESTRICTED NET ASSETS | | | |
| Contributions from general public | \$ 4,466 | 11,420 | 6,775 |
| Interest income | 1,232 | 2,266 | 5,462 |
| Net assets released from donor restrictions | (1,232) | (635) | (2,127) |
| Change in permanently restricted net assets | 4,466 | 13,051 | 10,110 |
| Beginning of the year | 115,617 | 102,566 | 92,456 |
| End of the year | \$ 120,083 | 115,617 | 102,566 |

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENTS OF CASH FLOWS

| For the years ended September 30, | 2003 | 2002 | 2001 |
|---|-------------------|-----------------|-----------------|
| Operating activities | | | |
| Change in net assets | \$ 121,038 | 107,327 | 4,382 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | | |
| Depreciation | 5,426 | 5,665 | 6,332 |
| (Gain)Loss on disposal of assets | - | (750) | 38 |
| Pledge receivable | 45,317 | (33,602) | 228,015 |
| Prepaid expenses | 3,337 | 3,375 | (3,117) |
| Inventories | 1,976 | (5,642) | 10,736 |
| Accounts payable | (15,996) | 4,012 | (83,470) |
| Accrued liabilities | 140 | (5) | (33,289) |
| | 161,238 | 80,380 | 129,627 |
| Investing Activities | | | |
| Purchase of equipment | (6,663) | - | (3,444) |
| Net change in endowment cash investments | (6,397) | (10,687) | (11,742) |
| | (13,060) | (10,687) | (15,186) |
| Net change in cash | 148,178 | 69,693 | 114,441 |
| Cash at the beginning of the year | 334,526 | 264,833 | 150,392 |
| Cash at the end of the year | \$ 482,704 | 334,526 | 264,833 |
| Supplemental Cash Flow Disclosures | | | |
| Interest paid | \$ 39 | 556 | 723 |
| Income taxes paid | - | - | - |
| Non-cash financing | - | - | - |

See independent auditors' report

See accompanying notes to the financial statements

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

STATEMENTS OF NATURAL EXPENSES

| For the years ended September 30, | 2003 | 2002 | 2001 |
|-----------------------------------|-------------------|----------------|----------------|
| Salaries & Wages | \$ 158,202 | 168,721 | 165,273 |
| Payroll expenses | 34,101 | 34,410 | 42,790 |
| Copywriting | 8,500 | 7,050 | 12,490 |
| Materials | 30,549 | 9,127 | 32,914 |
| Telephone | 6,235 | 6,390 | 10,374 |
| Postage & Shipping | 17,541 | 18,640 | 34,627 |
| Insurance | 6,241 | 4,000 | 5,870 |
| Occupancy | 12,034 | 11,565 | 10,397 |
| Interest | 39 | 556 | - |
| Professional fees | 5,750 | 6,100 | 5,750 |
| Contracted services | 63,307 | 97,774 | 105,539 |
| Printing & publications | 36,405 | 48,884 | 71,305 |
| Conferences | 6,506 | 14,300 | 22,844 |
| Symposium | 11,870 | - | - |
| Research grants | 52,000 | 51,365 | - |
| Travel | 29,543 | 41,166 | 46,775 |
| Other | 3,935 | 1,613 | 8,600 |
| Depreciation | 5,426 | 5,665 | 6,332 |
| | \$ 488,184 | 527,326 | 581,880 |

See independent auditors' report

See accompanying notes to the financial statements

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

STATEMENTS OF FUNCTIONAL EXPENSES

| For the year ended September 30, | Program Services | | | | Total |
|----------------------------------|------------------|---------------------|---------|--------------------------------|------------|
| | Education | Research & Clinical | Patient | Neuroleptic Malignant Syndrome | |
| Salaries & Wages | \$ 82,175 | 18,838 | 14,128 | 15,698 | \$ 130,839 |
| Payroll expenses | 17,051 | 4,092 | 3,069 | 3,410 | 27,622 |
| Copywriting | 8,000 | 100 | - | - | 8,100 |
| Materials | 28,133 | 16 | 987 | 134 | 29,270 |
| Telephone | 4,379 | 973 | 75 | 319 | 5,746 |
| Postage & Shipping | 9,422 | 2,173 | 1,973 | 1,667 | 15,235 |
| Insurance | - | 1,000 | - | 1,000 | 2,000 |
| Occupancy | - | - | - | - | - |
| Interest | 39 | - | - | - | 39 |
| Professional fees | 75 | - | - | - | 75 |
| Contracted services | 42,993 | 16,552 | 10 | 1,277 | 60,832 |
| Printing & publications | 26,450 | 3,475 | 1,270 | 1,064 | 32,259 |
| Conferences | 5,838 | - | - | 280 | 6,118 |
| Symposium | - | - | - | 11,870 | 11,870 |
| Research grants | - | 52,000 | - | - | 52,000 |
| Travel | 12,360 | 5,827 | - | 7,373 | 25,560 |
| Other | 1,507 | 2,173 | - | - | 3,680 |
| Depreciation | - | - | - | - | - |
| | \$ 238,422 | 107,219 | 21,512 | 44,092 | \$ 411,245 |

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

| For the year ended September 30, | Supporting Services | | 2003 Total |
|----------------------------------|-----------------------------|-------------|---------------|
| | General & Administrative | Fundraising | |
| Salaries & Wages | \$ 10,989 | 16,374 | \$ 27,363 |
| Payroll expenses | 2,387 | 4,092 | 6,479 |
| Copywriting | - | 400 | 400 |
| Materials | 1,169 | 110 | 1,279 |
| Telephone | 436 | 53 | 489 |
| Postage & Shipping | 391 | 1,915 | 2,306 |
| Insurance | 4,241 | - | 4,241 |
| Occupancy | 12,034 | - | 12,034 |
| Interest | - | - | - |
| Professional fees | 5,675 | - | 5,675 |
| Contracted services | 1,160 | 1,315 | 2,475 |
| Printing & publications | 1,155 | 2,991 | 4,146 |
| Conferences | - | 388 | 388 |
| Symposium | - | - | - |
| Research grants | - | - | - |
| Travel | 3,209 | 774 | 3,983 |
| Other | - | 255 | 255 |
| Depreciation | 5,426 | - | 5,426 |
| | \$ 48,272 | 28,667 | \$ 76,939 |

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MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 1) Nature of Activities and Significant Accounting Policies

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

Basis of Presentation

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

Use of Estimates

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

Inventory

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

Investments

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

Promises to Give

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

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

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

Cash and Cash Equivalents

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

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Accounts Receivable

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

Property and Equipment

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

| | |
|-------------------------|------------|
| Equipment and furniture | 2-10 years |
|-------------------------|------------|

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

Restricted and Unrestricted Revenue and Support

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

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

Donated Materials and Services

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

Advertising

Advertising costs are generally charged to operations as incurred.

Income Taxes

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

Financial Statement Presentation

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

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Functional Classification of Expenses

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

Education

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

Research & Clinical

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

Patient

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

Neuroleptic Malignant Syndrome (NMS)

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

General & Administrative Expense

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

Fundraising Expense

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

Compensated Absences and Employee Benefits

Employees of the Organization are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors.

There are no unfunded health care or retirement plans.

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 RESTRICTIONS ON NET ASSETS

The Organization's unrestricted net assets:

| September 30, | 2003 |
|---------------------------------------|------------|
| Designated for property and equipment | \$ 11,263 |
| Undesignated | 512,765 |
| Unrestricted net assets | \$ 524,028 |

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

| September 30, 2003 | Permanent | Temporary | Total |
|-------------------------------------|------------|-----------|------------|
| Lila and Jerry Lewis Memorial Fund | \$ 64,974 | 9,206 | \$ 74,180 |
| Rosenberg Research Fund | 40,919 | 4,779 | 45,698 |
| Shah Educational Awareness Fund | 14,190 | 698 | 14,888 |
| Eli Lilly & Company Pharmaceuticals | - | 25,000 | 25,000 |
| Daniel Massik Memorial Fund | - | 3,500 | 3,500 |
| Vanguard Anesthesia Associates | - | 5,000 | 5,000 |
| Joseph R. Tobin, MD | - | 1,000 | 1,000 |
| | \$ 120,083 | 49,183 | \$ 169,266 |

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, 2003 | Permanent | Temporary | Total |
|---------------------------------------|-----------|-----------|------------|
| Procter & Gamble Pharmaceuticals | \$ - | 285,000 | \$ 285,000 |
| American Society of Anesthesiologists | - | 22,500 | 22,500 |
| Astra Zeneca Pharmaceuticals | - | 30,000 | 30,000 |
| Lila and Jerry Lewis Memorial Fund | 678 | - | 678 |
| Rosenberg Research Fund | 418 | - | 418 |
| Napolitano Fund | - | 2,175 | 2,175 |
| Shah Educational Awareness Fund | 136 | - | 136 |
| Neuroleptic Malignant Syndrome Donors | - | 2,708 | 2,708 |
| Other Corporate Grants | - | 5,070 | 5,070 |
| | \$ 1,232 | 347,453 | \$ 348,685 |

MALIGNANT HYPERTHERMIA ASSOCIATION OF THE UNITED STATES, INC.

NOTES TO THE FINANCIAL STATEMENTS

Note 3 ENDOWMENT FUNDS AND TRUSTS

LILA & JERRY LEWIS MEMORIAL FUND

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

SOLOMON & FLORENCE ROSENBERG RESEARCH FUND

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

SHAH EDUCATIONAL AWARENESS FUND

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

Note 4 CASH AND INVESTMENTS

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

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

Note 5 POST EMPLOYMENT EMPLOYEE BENEFITS

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

Note 6 ECONOMIC DEPENDENCY

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