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THE BONE MARROW FOUNDATION, INC.

Audited Financial Statements

December 31, 2008

and

December 31, 2007

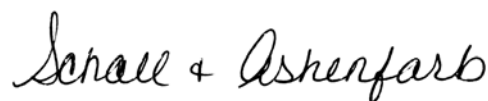
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Bone Marrow Foundation, Inc.

We have audited the accompanying statement of financial position of The Bone Marrow Foundation, Inc. ("the Foundation") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of The Bone Marrow Foundation, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb
Certified Public Accountants, LLC

March 19, 2009

THE BONE MARROW FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2008 AND 2007

| | <u>December 31,</u> <u>2008</u> | <u>December 31,</u> <u>2007*</u> |
|--|------------------------------------|-------------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents (Notes 2d and 2e) | \$299,212 | \$65,908 |
| Investments (Note 5) | 127,459 | 423,155 |
| Prepaid expenses | 5,646 | 6,575 |
| Contributions receivable (Notes 2f and 3) | 24,000 | 55,320 |
| Total current assets | <u>456,317</u> | <u>550,958</u> |
| Property and Equipment: | | |
| Property and equipment - net of accumulated depreciation (Notes 2g and 4) | <u>30,668</u> | <u>5,902</u> |
| Other Assets: | | |
| Security deposit | 12,000 | 9,900 |
| Long-term portion of contributions receivable (Notes 2f and 3) | 0 | 23,000 |
| Total other assets | <u>12,000</u> | <u>32,900</u> |
| Total assets | <u><u>\$498,985</u></u> | <u><u>\$589,760</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$45,968</u> | <u>\$13,080</u> |
| Total liabilities | <u>45,968</u> | <u>13,080</u> |
| Net Assets: (Note 2b) | | |
| Unrestricted | 404,017 | 528,680 |
| Temporarily restricted | 49,000 | 48,000 |
| Total net assets | <u>453,017</u> | <u>576,680</u> |
| Total liabilities and net assets | <u><u>\$498,985</u></u> | <u><u>\$589,760</u></u> |

*Reclassified for comparative purposes.

The attached notes and auditors' report are an integral part of these financial statements.

THE BONE MARROW FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | December 31, 2008 | | | December 31, 2007 | | |
|--|-------------------|---------------------------|------------------|-------------------|---------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Change in Net Assets: | | | | | | |
| Public Support and Revenue: | | | | | | |
| Contributions (Note 2c) | \$225,728 | \$25,000 | \$250,728 | \$164,866 | | \$164,866 |
| In-kind contributions (Note 2h) | 7,000 | | 7,000 | | | 0 |
| Special event revenues (net of cost of direct benefits to donors of \$108,988 and \$145,643) | 216,120 | | 216,120 | 608,277 | | 608,277 |
| Sales (net of cost of goods sold of \$0 and \$4,530) | 0 | | 0 | 30,470 | | 30,470 |
| Investment income (Note 5) | 17,705 | | 17,705 | 9,133 | | 9,133 |
| Net assets released from restrictions | 24,000 | (24,000) | 0 | 25,000 | (\$25,000) | 0 |
| Total public support and revenue | 490,553 | 1,000 | 491,553 | 837,746 | (25,000) | 812,746 |
| Expenses: | | | | | | |
| Program services | 418,227 | | 418,227 | 319,480 | | 319,480 |
| Management and general | 65,137 | | 65,137 | 71,599 | | 71,599 |
| Fundraising | 131,852 | | 131,852 | 168,762 | | 168,762 |
| Total expenses | 615,216 | 0 | 615,216 | 559,841 | 0 | 559,841 |
| Change in net assets | (124,663) | 1,000 | (123,663) | 277,905 | (25,000) | 252,905 |
| Net assets - beginning of year | 528,680 | 48,000 | 576,680 | 250,775 | 73,000 | 323,775 |
| Net assets - end of year | \$404,017 | \$49,000 | \$453,017 | \$528,680 | \$48,000 | \$576,680 |

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THE BONE MARROW FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | December 31, 2008 | | | | December 31, 2007 | | | |
|------------------------------------|---------------------|------------------------------|------------------|------------------|---------------------|------------------------------|------------------|------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries | \$103,532 | \$20,532 | \$19,282 | \$143,346 | \$101,965 | \$33,560 | \$37,958 | \$173,483 |
| Payroll taxes and benefits | 45,989 | 9,120 | 8,565 | 63,674 | 27,176 | 8,944 | 10,117 | 46,237 |
| Total personnel services | <u>149,521</u> | <u>29,652</u> | <u>27,847</u> | <u>207,020</u> | <u>129,141</u> | <u>42,504</u> | <u>48,075</u> | <u>219,720</u> |
| Specific assistance to individuals | 168,471 | | | 168,471 | 132,055 | | | 132,055 |
| Event expenses | | | 51,105 | 51,105 | | | 95,332 | 95,332 |
| Professional | | 11,447 | 1,595 | 13,042 | | 7,000 | 883 | 7,883 |
| Telephone | 6,328 | 1,255 | 1,179 | 8,762 | 6,284 | 967 | 2,417 | 9,668 |
| Printing and publications | 6,274 | 618 | 5,187 | 12,079 | 1,412 | 26 | 1,225 | 2,663 |
| Depreciation and amortization | 2,035 | 1,080 | 379 | 3,494 | 5,291 | 1,742 | 1,970 | 9,003 |
| Payroll processing fees | | | | 0 | 2,152 | 708 | 801 | 3,661 |
| Insurance | 3,481 | 690 | 648 | 4,819 | | 4,773 | | 4,773 |
| Rent (including in-kind) (Note 2h) | 39,255 | 7,785 | 7,311 | 54,351 | 19,689 | 6,481 | 7,330 | 33,500 |
| Dues and conferences | 3,226 | 318 | 2,666 | 6,210 | 5,739 | 1,566 | 149 | 7,454 |
| Office expense | 23,112 | 9,015 | 4,303 | 36,430 | 16,204 | 5,334 | 6,032 | 27,570 |
| Direct mail | | | 24,144 | 24,144 | | | | 0 |
| Website and computer | 16,524 | 3,277 | 3,077 | 22,878 | 1,513 | 498 | 563 | 2,574 |
| Transportation | | | 2,411 | 2,411 | | | 3,985 | 3,985 |
| | <u>\$418,227</u> | <u>\$65,137</u> | <u>\$131,852</u> | <u>\$615,216</u> | <u>\$319,480</u> | <u>\$71,599</u> | <u>\$168,762</u> | <u>\$559,841</u> |

The attached notes and auditors' report are an integral part of these financial statements.

THE BONE MARROW FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | December 31, 2008 | December 31, 2007* |
|---|----------------------|-----------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | (\$123,663) | \$252,905 |
| Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities: | | |
| Depreciation and amortization expense | 3,494 | 9,003 |
| Donated stock | 0 | (31,955) |
| Unrealized (gain) loss on securities | (4,485) | 8,800 |
| Change in assets and liabilities: | | |
| Prepaid expenses | 929 | (700) |
| Contributions receivable | 54,320 | 10,818 |
| Security deposit | (2,100) | (5,700) |
| Accounts payable and accrued expenses | 32,888 | 210 |
| Total adjustments | 85,046 | (9,524) |
| Net cash (used for)/provided by operating activities | (38,617) | 243,381 |
| Cash Flows from Investing Activities: | | |
| Fixed asset acquisitions and leasehold improvements | (28,260) | (4,750) |
| Sales of securities | 300,181 | 0 |
| Purchases of securities | 0 | (400,000) |
| Net cash provided by/(used for) investing activities | 271,921 | (404,750) |
| Net increase/(decrease) in cash and cash equivalents | 233,304 | (161,369) |
| Cash and cash equivalents - beginning of year | 65,908 | 227,277 |
| Cash and cash equivalents - end of year | \$299,212 | \$65,908 |
| Interest and taxes paid | \$0 | \$0 |

*Reclassified for comparative purposes.

The attached notes and auditors' report are an integral part of these financial statements.

THE BONE MARROW FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1. Organization

The Bone Marrow Foundation, Inc. (the "Foundation") was organized in New York in July 1992, as a non-profit corporation for the purpose of providing financial aid and assistance to bone marrow transplant patients and their families. After receiving tax-exempt status under IRS Section 501(c)3 in January 1993, the Foundation commenced fundraising activities. The Foundation began granting program assistance in November 1993.

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No.'s 116 and 117, *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, organizations are required to report information regarding their financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. *The Foundation has no permanently restricted net assets.*

c. Contributions

Contributions received are recorded as unrestricted or temporarily 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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily 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 restriction.

d. Cash and Cash Equivalents

For purposes of financial reporting, cash and cash equivalents include cash held in banks and money market funds.

e. Concentration of Credit Risk

The Foundation maintains its cash balances at the Chase Bank. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, they have a cash fund with JP Morgan Fund, which is not covered by FDIC insurance. At December 31, 2008 and 2007, the Foundation's uninsured cash balances totaled \$0 and \$400,000, respectively.

f. Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Based on historical experience, management feels that no allowance for doubtful accounts is necessary.

Contributions receivables are due within the following periods:

| | |
|---------------------|-----------------|
| December 31, 2008 | \$0 |
| December 31, 2009 | <u>25,000</u> |
| | 25,000 |
| Less: discount (4%) | <u>(1,000)</u> |
| Total due | <u>\$24,000</u> |

g. Capitalization Policies

Items of property, equipment and leasehold improvements that have a useful life greater than one year and exceed certain thresholds are capitalized at cost. Routine maintenance and repair costs and leasehold improvements, which do not materially extend the estimated useful lives of property and equipment, are expensed as incurred.

h. Donated Assets and In-Kind Contributions

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. In-kind rent of \$7,000 was recorded to reflect the difference between rent paid and the fair market value.

i. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

j. Management Estimates

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

Note 3. Beneficial Interest in Trust

The Foundation has been named as a beneficiary in a Charitable Remainder Unit Trust dated December 20, 1990. A contribution receivable has been recorded at the estimated net present value of the amount expected to be received.

Note 4. Property and Equipment

Property and equipment costs are depreciated over their estimated useful lives (3 to 5 years) using the straight-line method and consist of the following:

| | <u>12/31/08</u> | <u>12/31/07</u> |
|---------------------------------|-----------------|-----------------|
| Computer equipment and software | \$30,931 | \$25,982 |
| Office equipment | 49,330 | 49,330 |
| Office furniture and fixtures | 13,412 | 10,723 |
| Leasehold improvements | <u>9,899</u> | <u>13,707</u> |
| Total | 103,572 | 99,742 |
| Less: accumulated depreciation | <u>(72,904)</u> | <u>(93,840)</u> |
| Property and equipment – net | <u>\$30,668</u> | <u>\$5,902</u> |

Note 5. Investments

The Foundation carries its investments at market value, and realized and unrealized gains/losses are reflected in the statement of activities.

The investment portfolio consisted of the following:

| | <u>12/31/08</u> | <u>12/31/07</u> |
|-----------------------------------|------------------|------------------|
| Corporate bonds | \$99,819 | \$400,000 |
| Equities | 27,640 | 23,105 |
| Money market funds and other cash | <u>0</u> | <u>50</u> |
| Total | <u>\$127,549</u> | <u>\$423,155</u> |

The following summarizes investment return:

| | <u>12/31/08</u> | <u>12/31/07</u> |
|------------------------------|-----------------|-----------------|
| Interest and dividend income | \$14,871 | \$17,933 |
| Unrealized gain/(loss) | <u>2,834</u> | <u>(8,800)</u> |
| Total | <u>\$17,705</u> | <u>\$9,133</u> |

Note 6. Temporarily Restricted Net Assets

At December 31, 2008, temporarily restricted net assets consist of the following:

| | <u>Balance 1/1/08</u> | <u>Contributions</u> | <u>Released from Restrictions</u> | <u>Balance 12/31/08</u> |
|-----------------------|---------------------------|----------------------|---|-----------------------------|
| Program restrictions: | | | | |
| Acquisition mailing | \$0 | \$25,000 | \$0 | \$25,000 |
| Time restrictions | <u>48,000</u> | <u>0</u> | <u>(24,000)</u> | <u>24,000</u> |
| Total | <u>\$48,000</u> | <u>\$25,000</u> | <u>(\$24,000)</u> | <u>\$49,000</u> |

Note 7. Commitments

The Foundation moved its location in May, 2008 and signed a non-cancelable lease that expires April 2013. The following schedule outlines the future minimum commitments:

| | |
|-------------------|------------------|
| December 31, 2009 | \$48,000 |
| 2010 | 48,000 |
| 2011 | 48,000 |
| 2012 | 48,000 |
| 2013 | <u>16,000</u> |
| Total | <u>\$208,000</u> |