

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.  
(a not-for-profit organization)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended December 31, 2012

Renner  
&  
Company  
Certified  
Public  
Accountants

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Mesothelioma Applied Research Foundation, Inc.  
Alexandria, Virginia

We have audited the accompanying financial statements of The Mesothelioma Applied Research Foundation, Inc. (a not-for-profit organization) which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and cash flows for the year 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 of 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 auditors' 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mesothelioma Applied Research Foundation, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited The Mesothelioma Applied Research Foundation, Inc.'s 2011 financial statements, and our reported dated July 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Renner and Company, CPA, P.C.*

July 8, 2013

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2012 and 2011 (summarized)

	<u>ASSETS</u>			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>2011 (Summarized)</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 542,222	\$ 37,500	\$ 579,722	\$ 611,473
Pledges receivable	38,500	212,500	251,000	44,028
Contributions receivable	154,414	-	154,414	184,987
Prepaid expenses	131,466	-	131,466	10,399
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 866,602</u>	<u>\$ 250,000</u>	<u>\$ 1,116,602</u>	<u>\$ 850,887</u>
<u>TOTAL PROPERTY, net</u>	<u>\$ 6,921</u>	<u>\$ -</u>	<u>\$ 6,921</u>	<u>\$ 8,306</u>
<u>OTHER ASSETS</u>				
Investments	\$ 1,389,240	\$ -	\$ 1,389,240	\$ 1,466,412
Deposit	4,350	-	4,350	4,350
<u>TOTAL OTHER ASSETS</u>	<u>\$ 1,393,590</u>	<u>\$ -</u>	<u>\$ 1,393,590</u>	<u>\$ 1,470,762</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,267,113</u>	<u>\$ 250,000</u>	<u>\$ 2,517,113</u>	<u>\$ 2,329,955</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 66,465	\$ -	\$ 66,465	\$ 6,522
Grants payable	325,000	-	325,000	524,567
Deferred revenue	3,600	-	3,600	-
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 395,065</u>	<u>\$ -</u>	<u>\$ 395,065</u>	<u>\$ 531,089</u>
<u>LONG-TERM LIABILITIES</u>				
Deferred rent	\$ 7,152	\$ -	\$ 7,152	\$ 7,036
<u>TOTAL LIABILITIES</u>	<u>\$ 402,217</u>	<u>\$ -</u>	<u>\$ 402,217</u>	<u>\$ 538,125</u>
<u>NET ASSETS</u>				
Unrestricted	\$ 1,864,896	\$ -	\$ 1,864,896	\$ 1,791,830
Temporarily restricted	-	250,000	250,000	-
<u>TOTAL NET ASSETS</u>	<u>\$ 1,864,896</u>	<u>\$ 250,000</u>	<u>\$ 2,114,896</u>	<u>\$ 1,791,830</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,267,113</u>	<u>\$ 250,000</u>	<u>\$ 2,517,113</u>	<u>\$ 2,329,955</u>

See accompanying Independent Auditors' Report and Notes.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES  
for the years ended December 31, 2012 and 2011 (summarized)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011 (Summarized)</u>
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 1,805,866	\$ 250,000	\$ 2,055,866	\$ 1,858,511
Symposium	85,100	-	85,100	95,100
Investment income	79,717	-	79,717	34,696
<u>TOTAL SUPPORT AND REVENUE</u>	<u>\$ 1,970,683</u>	<u>\$ 250,000</u>	<u>\$ 2,220,683</u>	<u>\$ 1,988,307</u>
<u>EXPENSES</u>				
Program	\$ 1,525,651	\$ -	\$ 1,525,651	\$ 1,619,025
Management and general	169,016	-	169,016	172,829
Fundraising	202,950	-	202,950	197,300
<u>TOTAL EXPENSES</u>	<u>\$ 1,897,617</u>	<u>\$ -</u>	<u>\$ 1,897,617</u>	<u>\$ 1,989,154</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 73,066</u>	<u>\$ 250,000</u>	<u>\$ 323,066</u>	<u>\$ (847)</u>
<u>NET ASSETS</u> , beginning of year	<u>1,791,830</u>		<u>1,791,830</u>	<u>1,792,677</u>
<u>NET ASSETS</u> , end of year	<u>\$ 1,864,896</u>	<u>\$ 250,000</u>	<u>\$ 2,114,896</u>	<u>\$ 1,791,830</u>

See accompanying Independent Auditors' Report and Notes.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
for the years ended December 31, 2012 and 2011 (summarized)

	Research	Education and Support	Advocacy	Total Program	Management and General	Fundraising	2012 Total	2011 Total (Summarized)
Salaries and wages	\$ 118,911	\$ 236,961	\$ 62,057	\$ 417,929	\$ 64,567	\$ 116,314	\$ 598,810	\$ 540,715
Fringe benefits	8,102	18,229	8,102	34,433	2,836	3,241	40,510	21,225
Payroll taxes	8,967	17,843	4,578	31,388	4,680	8,702	44,770	40,547
Workers compensation	442	3,314	406	4,162	(512)	144	3,794	4,820
Pension	5,827	11,743	2,976	20,546	2,988	5,485	29,019	27,769
Payroll processing	-	-	-	-	2,448	-	2,448	2,741
Grants - patient travel	-	9,000	-	9,000	-	-	9,000	9,000
Grants - research	500,000	-	-	500,000	-	-	500,000	700,000
Accounting	-	-	-	-	29,991	-	29,991	33,377
Legal fees	-	3,329	-	3,329	644	-	3,973	14,313
Professional fees	453	35,954	454	36,861	15,661	5,483	58,005	22,565
Professional development	222	351	221	794	166	166	1,126	511
Telecommunications	2,977	6,089	2,534	11,600	878	1,457	13,935	14,859
Postage and shipping	854	6,924	155	7,933	513	9,160	17,606	28,181
Occupancy	10,912	24,551	10,912	46,375	3,819	4,365	54,559	54,559
Computer and internet	5,576	10,588	4,327	20,491	1,515	1,731	23,737	28,749
Printing	3,514	4,068	8,513	16,095	8,905	2,775	27,775	13,799
Publications and subscriptions	2,261	2,821	1,242	6,324	498	555	7,377	6,971
Advertising and marketing	17,068	22,434	20,768	60,270	155	177	60,602	29,965
Filing fees	-	-	-	-	(75)	-	(75)	-
Gifts	-	571	-	571	1,575	1,156	3,302	2,693
Property taxes	-	-	-	-	-	24	24	1,395
Insurance	773	1,738	773	3,284	246	309	3,839	5,072
Travel	4,425	6,100	356	10,881	16,469	7,547	34,897	43,060
Newsletter	-	-	-	-	-	-	-	62,977
Event location rental	20,277	19,777	19,777	59,831	-	-	59,831	48,864
Event supplies	24,269	26,346	24,299	74,914	206	72	75,192	69,277
Depreciation and amortization	-	-	-	-	4,548	-	4,548	4,368
Office supplies	1,299	3,277	1,233	5,809	1,841	1,013	8,663	11,957
Bank and credit card service charges	99	-	-	99	-	12,261	12,360	7,236
Meals	35,421	35,694	35,141	106,256	2,776	292	109,324	101,199
Repairs and maintenance	789	1,775	789	3,353	276	316	3,945	6,232
Licenses and permits	-	-	-	-	25	19,739	19,764	11,921
Conference and Seminar	8,691	10,531	400	19,622	939	-	20,561	8,907
Utilities	1,090	2,453	1,090	4,633	382	436	5,451	6,229
Taxes	75	170	75	320	56	30	406	-
Miscellaneous	-	8,548	-	8,548	-	-	8,548	3,101
<b>TOTAL EXPENSES</b>	<b>\$ 783,294</b>	<b>\$ 531,179</b>	<b>\$ 211,178</b>	<b>\$ 1,525,651</b>	<b>\$ 169,016</b>	<b>\$ 202,950</b>	<b>\$1,897,617</b>	<b>\$ 1,989,154</b>

See accompanying Independent Auditors' Report and Notes.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2012 and 2011 (summarized)

	2012	2011 (Summarized)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from operations		
Support and revenue	\$ 1,968,167	\$ 2,033,494
Interest and dividends	55,654	44,694
Total cash received from operations	<u>\$ 2,023,821</u>	<u>\$ 2,078,188</u>
Cash disbursed by operations		
Payments to employees and suppliers	<u>\$ 2,153,644</u>	<u>\$ 1,984,236</u>
Total cash disbursed by operations	<u>\$ 2,153,644</u>	<u>\$ 1,984,236</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ (129,823)</u>	<u>\$ 93,952</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of equipment and furniture	\$ (3,163)	\$ (3,044)
Proceeds from sale of investments	1,428,717	3,395,283
Purchase of investments	<u>(1,327,482)</u>	<u>(3,635,425)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 98,072</u>	<u>\$ (243,186)</u>
<u>NET DECREASE IN CASH</u>	<u>\$ (31,751)</u>	<u>\$ (149,234)</u>
<u>CASH</u> , beginning of year	<u>611,473</u>	<u>760,707</u>
<u>CASH</u> , end of year	<u><u>\$ 579,722</u></u>	<u><u>\$ 611,473</u></u>
<u>NON-CASH INVESTING ACTIVITIES</u>		
Unrealized gain in market value of investments	\$ (35,763)	\$ (88,257)
Increase in investment value	<u>35,763</u>	<u>88,257</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Independent Auditors' Report and Notes.



THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2012 and 2011 (summarized)

<u>RECONCILIATION OF CHANGE IN NET ASSETS TO</u> <u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>2012</u>	<u>2011</u> <u>(Summarized)</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 323,066</u>	<u>\$ (847)</u>
<u>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS</u> <u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Realized and unrealized loss (gain) on investment	\$ (24,063)	\$ 9,998
Depreciation and amortization	4,548	4,368
<u>TOTAL ADJUSTMENTS</u>	<u>\$ (19,515)</u>	<u>\$ 14,366</u>
<u>CHANGE IN ASSETS AND LIABILITIES</u> <u>AFFECTING OPERATIONS PROVIDING (USING) CASH</u>		
<u>ASSETS</u>		
Pledges receivable	\$ (206,972)	\$ 55,972
Contributions receivable	30,573	(158,508)
Prepaid expenses	(121,067)	(372)
Total assets	<u>\$ (297,466)</u>	<u>\$ (102,908)</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 59,943	\$ (885)
Grants payable	(199,567)	182,523
Deferred rent	116	1,703
Deferred Revenue	3,600	-
Total liabilities	<u>\$ (135,908)</u>	<u>\$ 183,341</u>
<u>NET CHANGE IN ASSETS AND LIABILITIES</u>	<u>\$ (433,374)</u>	<u>\$ 80,433</u>
<u>NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</u>	<u>\$ (129,823)</u>	<u>\$ 93,952</u>

See accompanying Independent Auditors' Report and Notes.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

The mission of The Mesothelioma Applied Research Foundation, Inc. (the "Foundation") is to eradicate the cancer, mesothelioma, as a life-ending disease. The Foundation supports and promotes research to improve mesothelioma treatment, provides education and support to patients with the disease and their families, and raises awareness among the general public and federal officials of the need for research funding to develop improved treatments.

Significant Accounting Policies

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting; consequently, support and revenue are recognized when earned and expenses when incurred.

Cash and Cash Equivalents

The Foundation's policy is to treat all short term investments with original maturity of three months or less as cash equivalents. Cash currently consists of one checking account and one money market account.

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results.

Property

Property is recorded at cost as of the date of acquisition, or fair market value at the date of donation for donated assets. Depreciation is calculated using the straight-line method over estimated useful lives of three to seven years. Routine repairs and maintenance are expensed as incurred. Intangibles, such as the Foundation's logo, are recorded at cost and are amortized over an estimated useful life of fifteen years using the straight line method.

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Investments

Investments are carried at fair market value.

The Foundation invests funds in professionally managed mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Grants Payable

Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Directors.

Rescission of Grants

The Foundation records the rescission of grants in the year the grant is cancelled.

Classes of Assets

The Foundation reports its resources in classes established according to their nature and purpose. As of December 31, 2012 and 2011, the Foundation's resources were classified as follows:

Unrestricted Net Assets include net assets which are available for the general operations of the Foundation.

Temporarily Restricted Net Assets include net assets which are subjected to time or donor-imposed restrictions for support of a particular operating activity.

Contribution and Revenue Recognition

Contributions are recognized as revenue at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011 (summarized)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Donated Services and Materials

The Foundation relies heavily on volunteers to perform certain services for some of its programs. Because these services do not meet specified criteria for recognition as income and expense, the value of these services has not been included in the Statement of Activities. Donated property, materials and facilities are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized by function in the Statement of Functional Expenses. Direct costs are charged directly to the appropriate program. Joint costs such as insurance, rent and facility maintenance are allocated by using the direct costs of each program for the years ended December 31, 2012, and 2011. The allocations are based on current data.

Income Taxes

The Foundation is exempt from payment of Federal and state income taxation under 501(c)(3) of the Internal Revenue Code. However, the Foundation is subject to Federal and state income taxes on unrelated business income. No taxable income was generated for the years ended December 31, 2012 and 2011. Accordingly, no provision for income taxes has been included in the financial statements.

The Foundation's Federal Exempt Organization Business Income Tax Return (Form 990) for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they are filed.

Advertising

Advertising costs are expensed as incurred.

Reclassification

Certain 2011 financial statement amounts have been reclassified to conform to the 2012 presentation.

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash as of December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Checking	\$ 42,441	\$ (23,537)
Money market	537,281	635,010
	<u>\$ 579,722</u>	<u>\$ 611,473</u>

Bank balances in a financial institution are insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to \$250,000. The bank balance as of December 31, 2012 and 2011 not covered by FDIC and SIPC deposit insurance was \$325,636 and \$310,120, respectively .

3. PLEDGES RECEIVABLE

At December 31, 2012, the Foundation has outstanding pledges receivable to assist with its programs. The pledges are receivable within a year. The Foundation considers the pledges fully collectible; therefore, no provision has been made for uncollectible pledges receivable.

4. INVESTMENTS

Investments as of December 31, 2012 and 2011 consisted of the following, shown at fair value:

	<u>December 31, 2012</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized gain</u>
Fixed income	\$ 1,363,127	\$ 1,384,148	\$ 21,021
Equities	3,526	5,092	1,567
	<u>\$ 1,366,653</u>	<u>\$ 1,389,240</u>	<u>\$ 22,587</u>

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

4. INVESTMENTS (Continued)

	<u>December 31, 2011</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized gain (loss)</u>
Fixed income	\$ 1,331,648	\$ 1,325,759	\$ (5,889)
Equities	140,273	140,653	380
	<u>\$ 1,471,921</u>	<u>\$ 1,466,412</u>	<u>\$ (5,509)</u>

Investment income for the year ended December 31, 2012 and 2011 is comprised of the following:

	<u>2012</u>	<u>2011</u>
Realized gain/(loss)	\$ (11,700)	\$ (98,256)
Unrealized gain	35,763	88,654
Interest and dividends	53,556	40,688
Income from investments	\$ 77,619	\$ 31,086
Income from interest bearing cash accounts	2,098	3,610
Total investment income	<u>\$ 79,717</u>	<u>\$ 34,696</u>

5. FAIR VALUE MEASUREMENTS

The Foundation records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

5. FAIR VALUE MEASUREMENTS (Continued)

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets and liabilities (other than quoted prices), such as interest rate, foreign exchange rate and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2012 and 2011:

	December 31, 2012			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Fixed income	\$ 1,384,148	\$ 1,384,148	\$ -	\$ -
Equities	5,092	5,092	-	-
	<u>\$ 1,389,240</u>	<u>\$ 1,389,240</u>	<u>\$ -</u>	<u>\$ -</u>
	December 31, 2011			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Fixed Income	\$ 1,325,759	\$ 1,325,759	\$ -	\$ -
Equities	140,653	140,653	-	-
	<u>\$ 1,466,412</u>	<u>\$ 1,466,412</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are reported at fair values as provided by the investment managers or other third-party service providers utilizing various methods dependent upon the specific type of investment. Mutual funds and equity securities are based on quoted prices in active markets.

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

6. PROPERTY DEPRECIATION

A summary of information related to property and depreciation for the year ended December 31, 2012 and 2011 is as follows:

December 31, 2012				
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense
Office equipment	5	\$ 19,160	\$ 14,316	\$ 2,033
Furniture	5	10,547	9,554	1,873
Other fixed assets	3 - 7	4,593	4,309	242
		<u>\$ 34,300</u>	<u>\$ 28,179</u>	<u>\$ 4,148</u>
December 31, 2011				
	Estimated useful life (years)	Cost	Accumulated depreciation	Depreciation expense
Office equipment	5	\$ 18,820	\$ 14,970	\$ 2,140
Furniture	5	10,547	7,676	1,815
Other fixed assets	3 - 7	4,452	4,067	13
		<u>\$ 33,819</u>	<u>\$ 26,713</u>	<u>\$ 3,968</u>

7. OTHER ASSET

Other asset consists of the following as of December 31, 2012 and 2011:

December 31, 2012				
	Estimated useful life (years)	Cost	Accumulated amortization	Amortization expense
Logo	15	\$ 6,000	\$ 5,200	\$ 400
December 31, 2011				
	Estimated useful life (years)	Cost	Accumulated amortization	Amortization expense
Logo	15	\$ 6,000	\$ 4,800	\$ 400

See Independent Auditors' Report.



THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
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8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 and 2011 consisted of the following:

	<u>December 31, 2012</u>			
	<u>Balance at December 31, 2011</u>	<u>Support and revenue</u>	<u>Net assets released from restrictions</u>	<u>Balance at December 31, 2012</u>
Pledges - time restricted	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
	<u>December 31, 2011</u>			
	<u>Balance at December 31, 2010</u>	<u>Support and revenue</u>	<u>Net assets released from restrictions</u>	<u>Balance at December 31, 2011</u>
Research	<u>\$ 154,806</u>	<u>\$ 155,397</u>	<u>\$ (310,203)</u>	<u>\$ -</u>

9. PENSION

All Foundation employees are eligible to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code. The Foundation matches up to 6% of the eligible salary upon participation. Foundation employer contributions for the year end 2012 and 2011 was \$29,019 and \$27,769, respectively.

10. COMMITMENTS AND CONTINGENCIES

Operating Office Lease

In 2010, the Foundation entered into a five year lease for office space in Alexandria, Virginia beginning August 1, 2010. The lease provides for base monthly rental payments of \$4,350 with annual escalations in base rental payments. Rent expense is recognized on a straight-line basis over the term of the lease. Rent expense was \$54,559 for the years ended December 31, 2012 and 2011.

Future net minimum lease commitments under the new lease are as follows:

2013	\$ 56,072
2014	57,749
2015	34,278
	<u>\$ 148,099</u>

See Independent Auditors' Report.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011 (summarized)

10. COMMITMENTS AND CONTINGENCIES (Continued)

Future Meeting Sites

The Foundation entered into various contracts with hotels for the future symposiums taking place during fiscal year ended 2013 and 2014. If the foundation were to cancel those contracts on December 31, 2012, the Foundation would be liable for a penalty of \$173,090. Subsequent to the fiscal year end, the Foundation held its 2013 symposium and therefore satisfied \$159,020 of these commitments.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 8, 2013 the date the financial statements were available to be issued.

See Independent Auditors' Report.