INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

December 31, 2014 and 2013
THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Mesothelioma Applied Research Foundation, Inc.
Alexandria, VA

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, 2014, and the related statements of activities, functional expenses 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 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.

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, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The financial statements of The Mesothelioma Applied Research Foundation, Inc. as of December 31, 2013, were audited by other auditors whose report dated July 29, 2014, expressed an unqualified opinion on those statements.

Fairfax, Virginia
June 15, 2015

Burdette Smith & Bish, LLC
THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

Statements of Financial Position
December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,048,428</td>
<td>$1,200,007</td>
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<td>Accounts receivable</td>
<td>-</td>
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<td>Pledges receivable</td>
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<td>306,250</td>
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<td>Contributions receivable</td>
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<td>Prepaid expenses</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,538,335</td>
<td>1,688,151</td>
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<td><strong>INVESTMENTS</strong></td>
<td>1,309,736</td>
<td>1,334,700</td>
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<tr>
<td><strong>PROPERTY, AT COST</strong></td>
<td>64,860</td>
<td>73,774</td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>(33,385)</td>
<td>(35,429)</td>
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<tr>
<td><strong>PROPERTY, AT COST</strong></td>
<td>31,475</td>
<td>38,345</td>
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<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
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<tr>
<td>Deposit</td>
<td>4,350</td>
<td>4,350</td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td>$2,883,896</td>
<td>$3,065,546</td>
</tr>
</tbody>
</table>

| CURRENT LIABILITIES                         |              |              |
| Accounts payable and accrued expenses       | $43,784      | $30,364      |
| Grants payable                              | 275,000      | 300,000      |
| Deferred revenue                            | 7,400        | 8,450        |
| **Total Current Liabilities**               | 326,184      | 338,814      |

| LONG-TERM LIABILITIES                       |              |              |
| Deferred rent                               | 2,320        | 5,330        |

| COMMITMENTS                                 |              |              |

| NET ASSETS                                  |              |              |
| Unrestricted                                | 2,500,392    | 2,721,402    |
| Temporarily restricted                      | 55,000       | -            |
| **Total Net Assets**                        | 2,555,392    | 2,721,402    |

$2,883,896 $3,065,546

The accompanying notes are an integral part of these financial statements.
## THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

**Statements of Activities**  
For The Years Ended December 31, 2014 and 2013

### UNRESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support and Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$1,594,503</td>
<td>$2,451,641</td>
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<tr>
<td>Symposium</td>
<td>94,775</td>
<td>98,785</td>
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<tr>
<td>Investment income</td>
<td>29,419</td>
<td>85,078</td>
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<tr>
<td></td>
<td>1,718,697</td>
<td>2,635,504</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>139,790</td>
<td>250,000</td>
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<tr>
<td></td>
<td>1,858,487</td>
<td>2,885,504</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td>1,648,711</td>
<td>1,723,160</td>
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<tr>
<td>Management and general</td>
<td>129,627</td>
<td>103,594</td>
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<tr>
<td>Fundraising</td>
<td>301,159</td>
<td>202,244</td>
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<tr>
<td></td>
<td>2,079,497</td>
<td>2,028,998</td>
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<tr>
<td>Increase in Unrestricted Net Assets</td>
<td>(221,010)</td>
<td>856,506</td>
</tr>
</tbody>
</table>

### TEMPORARILY RESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>194,790</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(139,790)</td>
<td>(250,000)</td>
</tr>
<tr>
<td>Increase(decrease) in Temporarily Restricted Net Assets</td>
<td>55,000</td>
<td>(250,000)</td>
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</table>

**INCREASE (DECREASE) IN NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(166,010)</td>
<td>606,506</td>
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</tbody>
</table>

**NET ASSETS, BEGINNING OF YEAR**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,721,402</td>
<td>2,114,896</td>
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</tbody>
</table>

**NET ASSETS, END OF YEAR**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,555,392</td>
<td>$2,721,402</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
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<td>Services</td>
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<td>36,706</td>
<td>35,566</td>
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<td>35,966</td>
<td>36,646</td>
<td>37,326</td>
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<td>47,594</td>
<td>47,454</td>
<td>47,314</td>
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<td>47,034</td>
<td>46,894</td>
<td>329,506</td>
</tr>
<tr>
<td>Total</td>
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<td>50,112</td>
<td>52,512</td>
<td>50,392</td>
<td>53,202</td>
<td>55,282</td>
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<td>1,000</td>
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<td>1,000</td>
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<td>6,000</td>
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<td>6,000</td>
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<td>Professional development</td>
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<td>Computer and Internet</td>
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<td>6,000</td>
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<td>Printing, subscriptions</td>
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<td>6,000</td>
</tr>
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<td>6,000</td>
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<tr>
<td>Filming and marketing</td>
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<td>Insurance</td>
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<td>Travel and transportation</td>
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<td>464</td>
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<td>464</td>
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<td>2,196</td>
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<td>3,269</td>
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<tr>
<td>Bank and credit card fees</td>
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<td>923</td>
<td>923</td>
<td>923</td>
<td>923</td>
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<td>923</td>
<td>6,461</td>
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<td>Meals and maintenance</td>
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<td>11,101</td>
<td>11,101</td>
<td>11,101</td>
<td>11,101</td>
<td>11,101</td>
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<td>4,622</td>
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<td>4,622</td>
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<td>438</td>
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<td>Miscellaneous</td>
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<td>42</td>
<td>294</td>
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<tr>
<td>Total</td>
<td>47,734</td>
<td>47,594</td>
<td>47,454</td>
<td>47,314</td>
<td>47,174</td>
<td>47,034</td>
<td>46,894</td>
<td>329,506</td>
</tr>
</tbody>
</table>
THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

Statements of Cash Flows
For The Years Ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from contributors and symposium</td>
<td>$1,841,837</td>
<td>$2,561,291</td>
</tr>
<tr>
<td>Dividends and Interest received</td>
<td>57,234</td>
<td>40,076</td>
</tr>
<tr>
<td>Payments to employees and suppliers</td>
<td>(2,056,197)</td>
<td>(2,054,374)</td>
</tr>
<tr>
<td>Net Cash Provided By (Used In) Operating Activities</td>
<td>(157,126)</td>
<td>546,993</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOW FROM INVESTING ACTIVITIES</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(2,628)</td>
<td>(36,348)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(1,634,432)</td>
<td>(1,817,328)</td>
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<tr>
<td>Proceeds from Sale of investments</td>
<td>1,642,607</td>
<td>1,926,968</td>
</tr>
<tr>
<td>Net Cash Provided By (Used In) Investing Activities</td>
<td>5,547</td>
<td>73,292</td>
</tr>
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<table>
<thead>
<tr>
<th>NET DECREASE IN CASH AND CASH EQUIVALENTS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(151,579)</td>
<td>620,285</td>
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</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,200,007</td>
<td>579,722</td>
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<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS, END OF YEAR</th>
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<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,048,428</td>
<td>$1,200,007</td>
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</table>

<table>
<thead>
<tr>
<th>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>(166,010)</td>
<td>606,506</td>
</tr>
</tbody>
</table>

Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>9,498</th>
<th>4,924</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized (gain) loss on investments</td>
<td>(25,975)</td>
<td>(42,338)</td>
</tr>
<tr>
<td>Realized (gain) loss on investments</td>
<td>38,704</td>
<td>(16,802)</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>19,699</td>
<td>(19,699)</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>25,000</td>
<td>(55,250)</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(72,894)</td>
<td>76,926</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>26,432</td>
<td>46,759</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>13,420</td>
<td>(32,063)</td>
</tr>
<tr>
<td>Grants payable</td>
<td>(25,000)</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,050</td>
<td>4,850</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>3,010</td>
<td>(1,822)</td>
</tr>
<tr>
<td></td>
<td>8,884</td>
<td>(59,513)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES ...</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(157,126)</td>
<td>546,993</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

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
For purposes of the statement of cash flows, the Foundation considers all checking, money market and short-term investments with original maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable
The Foundation estimates that all accounts receivable are fully collectible; therefore, no allowance for uncollectible receivables has been established. Management periodically reviews accounts receivable to evaluate collectability.

Pledges Receivable
Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. At December 31, 2014, outstanding pledges are receivable within a year. The Foundation considers the pledges fully collectible; therefore no provision has been made for uncollectible pledges receivable.

Investments
Investments are reflected at fair market value. Interest, dividends and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses in the accompanying statement of activities. Donated securities are sold upon receipt to establish 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 interest rate, market value fluctuations, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Property and Intangible Assets
Property and equipment acquisitions in excess of $500 (including major renewals, replacements and betterments) are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon sale, or other disposition of property, the cost and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the change in net assets. Depreciation is provided for under the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Intangibles are recorded at cost and are amortized using the straight line method over an estimated useful life of five to fifteen years.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

**Donated Property and Equipment**
Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**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**
To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose.

- **Unrestricted net assets** are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and includes Board designated funds, i.e.: funds that have been segregated by the Board to be spent only on specified purposes.

- **Temporarily restricted net assets** result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

- **Permanently restricted net assets** result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has no permanently restricted net assets at December 31, 2014 and 2013.

**Income 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 revenue 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 restrictions. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions are met in the same period the donation is made.

**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 services and materials 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.
NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value of Financial Instruments
Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in an active market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

The carrying amounts for cash and cash equivalents, accounts, pledges and grants receivable, prepaid expenses, accounts payable, grants payable and deferred rent are considered Level 1 and approximate fair value because of the short term maturity of these instruments.

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

Advertising Expense
Advertising costs are expensed as incurred.

Functional Allocation of Expenses
The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Indirect costs such as insurance, rent and facility maintenance have been allocated among the programs, fundraising and management and general activities benefitted based on level of effort.

Income Taxes
The Foundation has been granted exemption from federal and state income taxation under Section 501(C)(3) of the Internal Revenue Code and classified as other than a private foundation. However, income from certain activities not directly related to the Foundation’s tax-exempt purpose may be subject to taxation as unrelated business income.

In accordance with The Financial Accounting Standards Board’s guidance on accounting for uncertainty in income taxes, Management has evaluated the Foundation’s tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, federal and state information returns for years prior to 2011 are no longer subject to examination by tax authorities.

Date of Management’s Review
The Foundation evaluated its December 31, 2014 financial statements for subsequent events through June 15, 2015, the date the financial statements were available to be issued. The Foundation is not aware of any additional subsequent events which would require recognition or disclosure in the financial statements.

Reclassifications
Certain December 31, 2013 amounts have been reclassified to conform to the December 31, 2014 presentation. These reclassifications have no effect on change in net assets.
NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Foundation to a concentration of credit risk consist of demand deposits placed with financial institutions. At certain times during both 2014 and 2013, the Foundation had funds invested with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance limits. While balances may periodically exceed FDIC insurance limits the Foundation has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk related to cash and cash equivalents.

NOTE 3 – RECEIVABLES

Receivables consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges receivable</td>
<td>$281,250</td>
<td>$306,250</td>
</tr>
<tr>
<td>Less allowance for doubtful collections</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td><strong>$281,250</strong></td>
<td><strong>$306,250</strong></td>
</tr>
</tbody>
</table>

There was no bad debt expense recorded during the years ended December 31, 2014 and 2013.

NOTE 4 - INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$998,823</td>
<td>$1,213,691</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td>310,913</td>
<td>121,009</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$1,309,736</strong></td>
<td><strong>$1,334,700</strong></td>
</tr>
</tbody>
</table>

Investment income, which is reported as unrestricted income net of related investment expenses in the statement of activities, is comprised of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$57,234</td>
<td>$40,076</td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>(38,704)</td>
<td>16,802</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>25,975</td>
<td>42,336</td>
</tr>
<tr>
<td>Investment expenses</td>
<td>(15,086)</td>
<td>(14,136)</td>
</tr>
<tr>
<td><strong>Total Investment Income</strong></td>
<td><strong>$29,419</strong></td>
<td><strong>$85,078</strong></td>
</tr>
</tbody>
</table>
THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

Notes to Financial Statements
December 31, 2014 and 2013

NOTE 5 – PROPERTY AND INTANGIBLE ASSETS

Property and intangible assets at cost, and related accumulated depreciation and amortization, at December 31 is comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>$21,314</td>
<td>$26,174</td>
</tr>
<tr>
<td>Furniture</td>
<td>$10,547</td>
<td>$10,547</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>539</td>
<td>4,593</td>
</tr>
<tr>
<td>Website</td>
<td>26,460</td>
<td>26,460</td>
</tr>
<tr>
<td>Logo</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64,860</strong></td>
<td><strong>73,774</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(33,385)</td>
<td>(35,429)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>$31,475</strong></td>
<td><strong>$38,345</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 totaled $9,498 and $4,924 respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset balances at December 31 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges - purpose restricted</td>
<td>$55,000</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTE 7 – RETIREMENT PLAN

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 years ended December 31, 2014 and 2013 totaled $29,938 and $22,926, respectively.

NOTE 8 – LEASES

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.

Future net minimum lease commitments in excess of one year as of December 31, 2014 are as follows:

| Year ending December 31 | 2015 | $34,272 |

NOTE 9 – FUTURE MEETING SITES COMMITMENTS

The Foundation entered into a hotel contract for the symposium taking place during the following year. If the Foundation were to cancel the contract on December 31, 2014, the Foundation would be liable for a penalty of $68,650. Subsequent to year end, the Foundation held the 2014 symposium and therefore satisfied the commitment.