

MSAA

**MULTIPLE SCLEROSIS
ASSOCIATION OF AMERICA**

Improving Lives Today!™

**MULTIPLE SCLEROSIS ASSOCIATION
OF AMERICA, INC. AND AFFILIATES**

**Consolidated Financial Statements and Supplemental
Information**

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)



**and
Report Thereon**



**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

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For the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Multiple Sclerosis Association of America, Inc.
and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Multiple Sclerosis Association of America, Inc. (the Association) and Affiliates (collectively referred to as MSAA), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of MSAA Housing for Independent Living, Inc. (MSAA HIL); MSAA Jacksonville, Inc. (MSAA Jacksonville); Multiple Sclerosis Handicapped Housing, Inc. (MSHH); and MSAA Housing for the Disabled, Inc. (MSAA HFD) as of June 30, 2015, which statements reflect total assets of \$6,550,823 and total revenues of \$1,295,402 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for MSAA HIL, MSAA Jacksonville, MSHH and MSAA HFD, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Multiple Sclerosis Association of America, Inc. and Affiliates as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited MSAA's 2014 consolidated financial statements, and our report dated November 6, 2014, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities shown on pages 17 and 18 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to the Affiliates of the Association, is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 12, 2015

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With Summarized Financial Information as of June 30, 2014)**

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,058,241	\$ 2,223,559
Pledges receivable, net	1,038,184	485,544
Accounts receivable	86,264	126,554
Prepaid expenses and other assets	105,631	86,446
Total Current Assets	6,288,320	2,922,103
Investments	255,635	2,886,092
Restricted cash and cash equivalents	1,421,139	2,095,992
Property and equipment, net	6,199,357	7,191,714
TOTAL ASSETS	\$ 14,164,451	\$ 15,095,901
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 796,773	\$ 751,966
Capital lease obligations, current portion	11,288	11,108
Mortgage payable, current portion	-	57,447
Line of credit	346,492	501,492
Total Current Liabilities	1,154,553	1,322,013
Tenant security deposits	23,056	38,188
Capital lease obligations, net of current portion	2,850	14,138
Mortgage payable, net of current portion	-	1,230,417
TOTAL LIABILITIES	1,180,459	2,604,756
Net Assets		
Unrestricted:		
General – Association	2,712,436	2,583,327
General – Affiliates	(422,547)	341,714
Board – designated	1,500,000	1,500,000
Total Unrestricted	3,789,889	4,425,041
Temporarily restricted	9,194,103	8,066,104
TOTAL NET ASSETS	12,983,992	12,491,145
TOTAL LIABILITIES AND NET ASSETS	\$ 14,164,451	\$ 15,095,901

The accompanying notes are an integral part of these consolidated financial statements.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)**

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT				
Donated media and occupancy	\$ 13,826,043	\$ -	\$ 13,826,043	\$ 29,652,820
Contributions	5,262,809	-	5,262,809	5,453,380
Grants and bequests	314,401	3,600,136	3,914,537	3,624,631
Rental income	1,640,304	-	1,640,304	2,071,377
Special events	513,743	70,000	583,743	337,221
Investment income	97,300	-	97,300	284,283
Gain (loss) on sale of property and equipment	1,072,324	-	1,072,324	(1,803)
Miscellaneous income	77,439	-	77,439	64,461
Net assets released from restrictions:				
Satisfaction of program restrictions	2,542,137	(2,542,137)	-	-
TOTAL REVENUE AND SUPPORT	25,346,500	1,127,999	26,474,499	41,486,370
EXPENSES				
Program Services:				
Public education and patient services	18,325,071	-	18,325,071	33,584,127
Housing	1,668,440	-	1,668,440	1,870,157
Total Program Services	19,993,511	-	19,993,511	35,454,284
Supporting Services:				
Fundraising	4,436,446	-	4,436,446	4,934,617
General and administrative	839,407	-	839,407	601,622
Total Supporting Services	5,275,853	-	5,275,853	5,536,239
TOTAL EXPENSES	25,269,364	-	25,269,364	40,990,523
CHANGE IN NET ASSETS BEFORE TRANSFER OF NET ASSETS OF MULTIPLE SCLEROSIS HOUSING, INC. (MSH)	77,136	1,127,999	1,205,135	495,847
TRANSFER OF NET ASSETS OF MSH TO NEW SPONSOR	(712,288)	-	(712,288)	-
CHANGE IN NET ASSETS	(635,152)	1,127,999	492,847	495,847
NET ASSETS, BEGINNING OF YEAR	4,425,041	8,066,104	12,491,145	11,995,298
NET ASSETS, END OF YEAR	\$ 3,789,889	\$ 9,194,103	\$ 12,983,992	\$ 12,491,145

The accompanying notes are an integral part of these consolidated financial statements.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	Program Services			Supporting Services			2015 Total	2014 Total
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Donated media	\$ 11,291,016	\$ -	\$ 11,291,016	\$ 1,585,557	\$ -	\$ 1,585,557	\$ 12,876,573	\$ 29,192,126
Patient assistance	2,900,900	-	2,900,900	-	-	-	2,900,900	3,093,119
Salaries and wages	1,416,894	426,098	1,842,992	121,781	362,165	483,946	2,326,938	2,395,396
Contract services	451,135	-	451,135	1,641,764	48,930	1,690,694	2,141,829	2,377,827
Postage, printing and mailing costs	515,243	-	515,243	576,904	43,146	620,050	1,135,293	905,506
Occupancy	395,983	572,935	968,918	21,820	136,161	157,981	1,126,899	649,410
Payroll taxes and fringe benefits	471,370	104,675	576,045	40,807	112,889	153,696	729,741	589,102
Professional fees and counseling	461,582	53,334	514,916	35,994	82,559	118,553	633,469	486,535
Depreciation and amortization	17,836	325,864	343,700	988	6,168	7,156	350,856	417,854
Interest	10,518	49,280	59,798	991	2,274	3,265	63,063	141,379
Office supplies and expenses	61,291	91,951	153,242	4,882	11,197	16,079	169,321	139,903
Special events	-	-	-	340,421	-	340,421	340,421	128,574
Licenses and fees	45,892	6,144	52,036	50,507	1,736	52,243	104,279	124,369
Miscellaneous	52,745	37,644	90,389	1,735	3,981	5,716	96,105	97,834
Publications	74,689	-	74,689	-	-	-	74,689	82,041
Bank and investment management fees	56,800	-	56,800	5,354	12,280	17,634	74,434	72,201
Travel	65,330	-	65,330	5,579	12,796	18,375	83,705	55,519
Telephone	20,993	-	20,993	704	1,615	2,319	23,312	22,608
Data processing and list costs	14,246	-	14,246	603	1,384	1,987	16,233	15,701
Advertising	608	515	1,123	55	126	181	1,304	3,519
TOTAL EXPENSES	\$ 18,325,071	\$ 1,668,440	\$ 19,993,511	\$ 4,436,446	\$ 839,407	\$ 5,275,853	\$ 25,269,364	\$ 40,990,523

The accompanying notes are an integral part of these consolidated financial statements.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)
Increase (Decrease) in Cash and Cash Equivalents**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 492,847	\$ 495,847
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	350,856	417,854
Net realized and unrealized gains on investments	(32,873)	(212,794)
(Gain) loss on sale of property and equipment	(1,072,324)	1,803
Net assets of MSH transferred to new sponsor	712,288	-
Changes in assets and liabilities:		
Pledges receivable	(552,640)	130,929
Accounts receivable	31,102	(90,561)
Prepaid expenses and other assets	(45,523)	(2,066)
Accounts payable and accrued expenses	90,754	(198,719)
Tenant security deposits	(4,084)	1,816
	<u>(29,597)</u>	<u>544,109</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,098,571)	(2,141,526)
Proceeds from sales of investments	3,761,901	628,846
Deposits to restricted cash for replacement reserves and interest	(95,868)	(331,040)
Cash of MSH transferred to new sponsor	(75,835)	-
Proceeds from sale of property and equipment	1,850,780	-
Purchases and construction of property and equipment	(1,288,725)	(209,964)
	<u>3,053,682</u>	<u>(2,053,684)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(11,108)	(10,932)
Principal payments on mortgage payable	(23,295)	(52,390)
Principal payment on note payable	-	(5,353)
Repayments on line of credit	(155,000)	(120,000)
	<u>(189,403)</u>	<u>(188,675)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,834,682	(1,698,250)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,223,559</u>	<u>3,921,809</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,058,241</u>	<u>\$ 2,223,559</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	<u>\$ 63,063</u>	<u>\$ 141,379</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

1. Organization and Summary of Significant Accounting Policies

Organization

The Multiple Sclerosis Association of America, Inc. (the Association) was incorporated as a nonprofit organization in 1970. The mission of the Association is to ease the day-to-day challenges of individuals with multiple sclerosis (MS) and their caregivers through service, education and research. These activities are funded primarily through contributions and grants from individuals and corporations.

The affiliates of the Association – MSAA Housing for Independent Living, Inc. (MSAA HIL); MSAA Jacksonville, Inc. (MSAA Jacksonville); Multiple Sclerosis Handicapped Housing, Inc. (MSHH); and MSAA Housing for the Disabled, Inc. (MSAA HFD) (collectively referred to as the Affiliates) – have been organized to acquire real property in various locations and to construct and operate thereon an apartment complex for elderly and handicapped persons. Such projects are regulated by the U.S. Department of Housing and Urban Development (HUD) as to rent charges and operating methods.

In May 2014, HUD approved MSAA's request to transfer the building owned by Multiple Sclerosis Housing, Inc. (MSH), a former affiliate, and the related mortgage on the building to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor effective October 30, 2014, and the members of MSAA's Board of Directors who served on the Board of Directors of MSH resigned effective December 1, 2014. Effective November 30, 2014, MSH's activities were no longer included in the consolidated financial statements of the Association as the Association no longer controlled MSH.

Principles of Consolidation

The consolidated financial statements of the Association and its Affiliates (collectively referred to as MSAA) have been prepared on the accrual basis of accounting and include the accounts of the Association and its Affiliates. All material intercompany balances and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents

MSAA considers all money market funds to be cash equivalents.

Investments

Investments are composed of equity mutual funds, fixed-income mutual funds, and equity securities and are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded as earned and dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) on investments are reported as unrestricted investment income.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, MSAA has categorized its applicable financial instruments into a required fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of June 30, 2015, only MSAA's investments, as described in Note 4, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

Pledges Receivable

MSAA reports unconditional promises to give as contribution revenue at their estimated net realizable value on the date of donation. The majority of the pledges receivable consist of pledges made to MSAA through its telemarketing campaigns and through America's Charities. For the year ended June 30, 2015, pledges receivable also includes a bequest receivable of \$401,500. Due to the nature of these pledges, the amounts are recorded in the accompanying consolidated financial statements net of an allowance for estimated amounts that will not be collected based on MSAA's experience with these revenue sources. For the year ended June 30, 2015, the pledges were recorded in the accompanying consolidated financial statements net of an allowance of approximately 30%. All pledges are expected to be collected in less than one year, and the net amount recorded in the accompanying consolidated statement of financial position is considered fully collectible. Accrued expenses include the costs related to the solicitation of pledges receivable.

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years for furniture and equipment and 30 to 40 years for buildings. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue in the accompanying consolidated statement of activities.

MSAA reviews its long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the year ended June 30, 2015.

Classification of Net Assets

MSAA's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of MSAA's operations. Also included in unrestricted net assets is \$1,500,000 of funds designated by the Board of Directors to serve as a working capital reserve.
- Temporarily restricted net assets represent funds that are specifically restricted by donors and HUD for use in various programs.

Revenue Recognition

Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

MSAA reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statement of activities as net assets released from restrictions.

MSAA receives capital advances from HUD under Section 811 of the National Affordable Housing Act. These advances are reported as temporarily restricted support when received. The capital advances do not bear interest and are not required to be repaid as long as the housing remains available to disabled persons for at least 40 years. Failure to keep the housing available to disabled persons would result in HUD billing the owner for the entire capital advance outstanding, plus interest, since the date of the first advance. The entire amount of the capital advances will be released from temporarily restricted net assets upon the expiration of the 40-year term of the agreements, which will occur between 2033 and 2039.

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Rental income is recognized as rent becomes due. All leases between MSAA and the tenants of the property are operating leases.

Donated Media and Occupancy

Donated media and occupancy are recognized as revenue and support and expenses in the accompanying consolidated statement of activities at the estimated fair value as provided by the donor at the date of donation. Donated media consists of public service announcements received from various media outlets across the country and advertisements received through the Google AdWords campaign.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of consolidated financial statements in conformity 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, actual results could differ from those estimates.

2. Transfer of MSH to New Sponsor

In May 2014, HUD approved MSAA's request to transfer the building owned by MSH and the related mortgage on the building to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor effective October 30, 2014, and the members of MSAA's Board of Directors who served on the Board of Directors of MSH resigned effective December 1, 2014. On November 30, 2014, control of MSH and all of its assets, liabilities, net assets and activities were assumed by the new sponsor. The fair value of the assets and liabilities of MSH transferred to the new sponsor on November 30, 2014, are summarized as follows:

Assets:

Cash and cash equivalents	\$ 75,835
Accounts receivable	9,188
Prepaid expenses and other assets	26,338
Restricted cash and cash equivalents	770,721
Property and equipment, net	<u>1,151,770</u>
Total Assets	<u>\$ 2,033,852</u>

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

2. Transfer of MSH to New Sponsor (continued)

Liabilities:

Accounts payable and accrued expenses	\$ 45,947
Tenant security deposits	11,048
Mortgage payable	<u>1,264,569</u>
Total Liabilities	<u>\$ 1,321,564</u>
Transfer of Net Assets to New Sponsor	<u>\$ 712,288</u>

3. Investments

As of June 30, 2015, MSAA's investments consisted of the following:

Equity mutual funds	\$ 199,137
Fixed-income mutual funds	56,426
Equity securities	<u>72</u>
Total Investments	<u>\$ 255,635</u>

Investment income is summarized as follows for the year ended June 30, 2015:

Realized gains	\$ 147,398
Unrealized losses	(114,525)
Interest and dividends	<u>64,427</u>
Total Investment Income	<u>\$ 97,300</u>

Also included in interest and dividends above and in investment income in the accompanying consolidated statement of activities is \$6,047 of interest income earned on cash and cash equivalents.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

4. Fair Value Measurements

The following table summarizes MSAA's assets measured at fair value on a recurring basis as of June 30, 2015, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Fixed-income mutual funds:				
Inflation hedges	\$ 56,426	\$ 56,426	\$ -	\$ -
Equity mutual funds:				
Mid cap	199,027	199,027	-	-
Diversified emerging markets	110	110	-	-
Equity securities:				
Services	<u>72</u>	<u>72</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 255,635</u>	<u>\$ 255,635</u>	<u>\$ -</u>	<u>\$ -</u>

5. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent amounts required to be maintained in accordance with regulatory agreements with HUD for the replacement of property and other expenditures, as approved by HUD. As of June 30, 2015, \$1,421,139 is included in restricted cash and cash equivalents in the accompanying consolidated statement of financial position in accordance with the terms of these agreements.

6. Property and Equipment and Related Depreciation and Amortization

MSAA held the following property and equipment as of June 30, 2015:

Land	\$ 735,451
Buildings and improvements	8,198,511
Furniture, fixtures and equipment	<u>1,106,584</u>
Total Property and Equipment	10,040,546
Less: Accumulated Depreciation	<u>(3,841,189)</u>
Property and Equipment, Net	<u>\$ 6,199,357</u>

Depreciation and amortization expense was \$350,856 for the year ended June 30, 2015.

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

6. Property and Equipment and Related Depreciation and Amortization (continued)

In October 2014, MSAA signed an agreement to sell its building in Cherry Hill, New Jersey for \$1,950,000. The sale was finalized on January 22, 2015. The gain on the sale was calculated as \$1,072,324 and was shown as gain on sale of property and equipment in the accompanying consolidated statement of activities for the year ended June 30, 2015. After the sale, MSAA was allowed by the new owner to stay in the building at no charge until MSAA was able to move into a new location on June 24, 2015. See Note 9 for the donated occupancy related to the free use of the building.

In November 2014, MSAA also entered into an agreement to purchase a building in Cherry Hill, New Jersey for \$865,000 to be used as its new headquarters office. The sale was finalized on January 28, 2015. The cost of the new building and land are included in property and equipment in the accompanying consolidated statement of financial position as of June 30, 2015.

7. Temporarily Restricted Net Assets

As of June 30, 2015, temporarily restricted net assets are available for the following purposes:

Housing	\$ 6,853,200
Patient services	2,270,903
Sponsorship of 2015 Lone Star Round Up for MS	<u>70,000</u>
Total	<u>\$ 9,194,103</u>

8. Commitments and Contingencies

Concentrations of Risk

The operations of each of the Affiliates are concentrated in the multifamily real estate market. The Affiliates operate in a heavily regulated environment. The operations of the Affiliates are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentrations of Credit Risk

MSAA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2015, MSAA had approximately \$2,163,000 composed of demand deposits and savings and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately \$1,636,000. MSAA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

8. Commitments and Contingencies (continued)

Line of Credit

In June 2015, MSAA transferred its line of credit to another financial institution. An agreement was reached that the new financial institution would repay the loan balance to the former lender as of the transfer date. For the year ended June 30, 2015, MSAA has a \$1,900,000 revolving line of credit with a bank that is secured by MSAA's investments held at the bank. The interest rate is calculated using the bank's commercial rate index, which as of June 30, 2015, was 2.44%. The line of credit is due upon demand. As of June 30, 2015, \$346,492 was outstanding on the line of credit. Interest expense incurred on this line of credit during the year ended June 30, 2015, was \$13,073.

9. Donated Media and Occupancy

During the year ended June 30, 2015, MSAA received the following in-kind contributions, which were recorded at their estimated fair value on the date of donation:

Media materials	\$ 12,876,573
Occupancy	476,895
Google AdWords campaign	472,545
Other	<u>30</u>
Total Donated Media and Occupancy	<u>\$ 13,826,043</u>

Media materials consist of digital public service announcements (PSA's) that have been donated to MSAA by various media outlets. These public service announcements are distributed to media outlets nationwide and run free of charge. MSAA has contracted with an independent outside agency to track the date and time at which each public service announcement runs, and the value of the announcements is based on the date, time and market. Media materials appear as donated media in the accompanying consolidated statement of functional expenses under the public education and patient services program and fundraising.

The Google Adwords campaign consists of advertisements for MSAA's services received from Google free of charge and is recorded within patient assistance under the public education and patient services program.

The donated occupancy expense relates to the period of time after MSAA had sold its office building, but during which MSAA stayed in the building at no charge until MSAA was able to move into its new office building.

MSAA's programs are also furthered through the contribution of time from unpaid volunteers. For the year ended June 30, 2015, volunteers have contributed more than 570 hours to MSAA's program services. These donated services are not reflected in the accompanying consolidated statement of activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

Continued

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

10. Allocation of Joint Costs

For the year ended June 30, 2015, MSAA incurred joint costs for direct mail campaigns and telemarketing activities, both of which included fundraising appeals. These joint costs have been included in contract services; data processing and list costs; and postage, printing and mailing costs in the accompanying consolidated statement of functional expenses. Those joint costs are allocated as follows:

Fundraising	\$ 2,196,884
Public education and patient services	941,103
General and administrative	<u>88,731</u>
Total	<u>\$ 3,226,718</u>

11. Pension Plan

MSAA has a noncontributory defined contribution retirement plan that is available to all employees who have completed one year of service and attained 21 years of age. Employer contributions are made to the plan according to the number of an employee's years of service based on percentages, as defined in the plan document. An employee is vested in the employer contributions according to the number of the employee's years of service with MSAA, as defined in the plan document. During the year ended June 30, 2015, MSAA contributed \$97,411 to the plan.

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Association and its Affiliates are exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2015, no provision for income taxes was made, as the Association and its Affiliates had no net unrelated business income.

MSAA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. MSAA performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2015, the statute of limitations for tax years ended June 30, 2012 through June 30, 2014, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which MSAA files tax returns. It is MSAA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

13. Prior Year Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSAA's consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

14. Reclassifications

Certain 2014 balances were reclassified to conform to the 2015 presentation.

15. Subsequent Events

In preparing these consolidated financial statements, MSAA has evaluated events and transactions for potential recognition or disclosure through November 12, 2015, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING INFORMATION

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2015**

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 5,005,928	\$ -	\$ 8,305	\$ 18,784	\$ 22,884	\$ 2,340	\$ 5,058,241	\$ -	\$ 5,058,241
Pledges receivable, net	1,038,184	-	-	-	-	-	1,038,184	-	1,038,184
Accounts receivable	69,213	-	9,490	-	4,812	2,749	86,264	-	86,264
Prepaid expenses and other assets	41,448	-	22,780	3,683	29,479	8,241	105,631	-	105,631
Total Current Assets	6,154,773	-	40,575	22,467	57,175	13,330	6,288,320	-	6,288,320
Investments	255,635	-	-	-	-	-	255,635	-	255,635
Restricted cash and cash equivalents	-	-	455,530	75,169	325,510	564,930	1,421,139	-	1,421,139
Property and equipment, net	1,203,220	-	1,489,964	644,521	1,332,730	1,528,922	6,199,357	-	6,199,357
TOTAL ASSETS	\$ 7,613,628	\$ -	\$ 1,986,069	\$ 742,157	\$ 1,715,415	\$ 2,107,182	\$ 14,164,451	\$ -	\$ 14,164,451
LIABILITIES AND NET ASSETS									
Current Liabilities									
Accounts payable and accrued expenses	\$ 699,659	\$ -	\$ 24,367	\$ 7,127	\$ 38,397	\$ 27,223	\$ 796,773	\$ -	\$ 796,773
Capital lease obligations, current portion	11,288	-	-	-	-	-	11,288	-	11,288
Line of credit	346,492	-	-	-	-	-	346,492	-	346,492
Total Current Liabilities	1,057,439	-	24,367	7,127	38,397	27,223	1,154,553	-	1,154,553
Tenant security deposits	-	-	5,403	3,683	8,229	5,741	23,056	-	23,056
Capital lease obligations, net of current portion	2,850	-	-	-	-	-	2,850	-	2,850
TOTAL LIABILITIES	1,060,289	-	29,770	10,810	46,626	32,964	1,180,459	-	1,180,459
Net Assets									
Unrestricted									
General	2,712,436	-	(98,601)	(203,353)	48,089	(168,682)	2,289,889	-	2,289,889
Board – designated	1,500,000	-	-	-	-	-	1,500,000	-	1,500,000
Total Unrestricted	4,212,436	-	(98,601)	(203,353)	48,089	(168,682)	3,789,889	-	3,789,889
Temporarily restricted	2,340,903	-	2,054,900	934,700	1,620,700	2,242,900	9,194,103	-	9,194,103
TOTAL NET ASSETS	6,553,339	-	1,956,299	731,347	1,668,789	2,074,218	12,983,992	-	12,983,992
TOTAL LIABILITIES AND NET ASSETS	\$ 7,613,628	\$ -	\$ 1,986,069	\$ 742,157	\$ 1,715,415	\$ 2,107,182	\$ 14,164,451	\$ -	\$ 14,164,451

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
REVENUE AND SUPPORT									
Donated media and occupancy	\$ 13,826,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,826,043	\$ -	\$ 13,826,043
Contributions	5,262,809	-	-	-	-	-	5,262,809	-	5,262,809
Grants and bequests	3,914,537	-	-	-	-	-	3,914,537	-	3,914,537
Rental income	38,092	319,050	338,434	154,377	377,047	413,304	1,640,304	-	1,640,304
Special events	583,743	-	-	-	-	-	583,743	-	583,743
Investment income	91,464	613	3,372	50	777	1,024	97,300	-	97,300
Gain on sale of property and equipment	1,072,324	-	-	-	-	-	1,072,324	-	1,072,324
Miscellaneous income	69,020	1,402	2,238	180	2,687	1,912	77,439	-	77,439
TOTAL REVENUE AND SUPPORT	24,858,032	321,065	344,044	154,607	380,511	416,240	26,474,499	-	26,474,499
EXPENSES									
Program Services:									
Public education and patient services	18,325,071	-	-	-	-	-	18,325,071	-	18,325,071
Housing	-	249,597	400,115	155,473	397,026	466,229	1,668,440	-	1,668,440
Total Program Services	18,325,071	249,597	400,115	155,473	397,026	466,229	19,993,511	-	19,993,511
Supporting Services:									
Fundraising	4,436,446	-	-	-	-	-	4,436,446	-	4,436,446
General and administrative	839,407	-	-	-	-	-	839,407	-	839,407
Total Supporting Services	5,275,853	-	-	-	-	-	5,275,853	-	5,275,853
TOTAL EXPENSES	23,600,924	249,597	400,115	155,473	397,026	466,229	25,269,364	-	25,269,364
CHANGE IN NET ASSETS BEFORE TRANSFER OF NET ASSETS OF MULTIPLE SCLEROSIS HOUSING, INC. (MSH)	1,257,108	71,468	(56,071)	(866)	(16,515)	(49,989)	1,205,135	-	1,205,135
TRANSFER OF NET ASSETS OF MSH TO NEW SPONSOR	-	(712,288)	-	-	-	-	(712,288)	-	(712,288)
CHANGE IN NET ASSETS	1,257,108	(640,820)	(56,071)	(866)	(16,515)	(49,989)	492,847	-	492,847
NET ASSETS, BEGINNING OF YEAR	5,296,231	640,820	2,012,370	732,213	1,685,304	2,124,207	12,491,145	-	12,491,145
NET ASSETS, END OF YEAR	<u>\$ 6,553,339</u>	<u>\$ -</u>	<u>\$ 1,956,299</u>	<u>\$ 731,347</u>	<u>\$ 1,668,789</u>	<u>\$ 2,074,218</u>	<u>\$ 12,983,992</u>	<u>\$ -</u>	<u>\$ 12,983,992</u>