



*Improving  
Lives Today!*

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

## **Consolidated Financial Statements**

*For the Year Ended June 30, 2017*

*(With Summarized Financial Information for the Year Ended June 30, 2016)*



**and  
Report Thereon**



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

**TABLE OF CONTENTS  
For the Year Ended June 30, 2017**

---

	<i><b>Page</b></i>
Independent Auditor's Report.....	1-2
Financial Statements	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Functional Expenses .....	5
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7-17



*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2017, 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 Jacksonville, Inc. (MSAA Jacksonville) as of June 30, 2017, which statements reflects total assets of \$664,163 and total revenues of \$153,040 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 Jacksonville, 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.

**Continued**

## **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, 2017, 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.

## **Change in Accounting Principle**

As described in Note 1 to the consolidated financial statements, MSAA changed its methodology for determining the value of the donated media. Our opinion is not modified with respect to that matter.

## **Other Matter**

### *Report on Summarized Comparative Information*

We have previously audited MSAA's 2016 consolidated financial statements, and our report dated October 21, 2016, 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, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Raffa, P.C.*

**Raffa, P.C.**

Washington, DC  
October 19, 2017

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2017  
(With Summarized Financial Information as of June 30, 2016)**

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,875,712	\$ 1,376,718
Pledges receivable, net	465,416	782,683
Accounts receivable	81,619	69,825
Prepaid expenses and other assets	221,757	172,149
Total Current Assets	2,644,504	2,401,375
Investments	2,596,024	2,810,988
Restricted cash and cash equivalents	53,908	1,184,610
Property and equipment, net	1,964,178	4,768,257
<b>TOTAL ASSETS</b>	<b>\$ 7,258,614</b>	<b>\$ 11,165,230</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 792,641	\$ 973,755
Line of credit	1,103,393	1,496,492
Total Current Liabilities	1,896,034	2,470,247
Tenant security deposits	3,570	15,913
<b>TOTAL LIABILITIES</b>	<b>1,899,604</b>	<b>2,486,160</b>
Net Assets		
Unrestricted:		
General – Association	1,695,723	1,462,750
General – Affiliates	(280,875)	(539,458)
Board-designated	1,500,000	1,500,000
Total Unrestricted	2,914,848	2,423,292
Temporarily restricted	2,444,162	6,255,778
<b>TOTAL NET ASSETS</b>	<b>5,359,010</b>	<b>8,679,070</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,258,614</b>	<b>\$ 11,165,230</b>

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, 2017  
(With Summarized Financial Information for the Year Ended June 30, 2016)**

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total (Restated)
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 4,996,351	\$ -	\$ 4,996,351	\$ 5,106,138
Grants and bequests	315,160	2,734,118	3,049,278	1,249,405
Rental income	681,771	-	681,771	1,248,103
Special events	586,290	80,000	666,290	421,813
Investment income (loss)	163,599	-	163,599	(33,651)
Miscellaneous income	239,922	-	239,922	151,201
Net assets released from restrictions:				
Satisfaction of program restrictions	2,327,934	(2,327,934)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>9,311,027</b>	<b>486,184</b>	<b>9,797,211</b>	<b>8,143,009</b>
<b>EXPENSES</b>				
Program Services:				
Public education and patient services	5,122,658	-	5,122,658	6,065,386
Housing	609,118	-	609,118	1,269,418
Total Program Services	5,731,776	-	5,731,776	7,334,804
Supporting Services:				
Fundraising	2,655,268	-	2,655,268	2,530,394
General and administrative	671,898	-	671,898	887,695
Total Supporting Services	3,327,166	-	3,327,166	3,418,089
<b>TOTAL EXPENSES</b>	<b>9,058,942</b>	<b>-</b>	<b>9,058,942</b>	<b>10,752,893</b>
Change in net assets from operations	252,085	486,184	738,269	(2,609,884)
Donated media revenue	1,906,649	-	1,906,649	3,748,643
Donated media expenses	(1,906,649)	-	(1,906,649)	(3,748,643)
Change in net assets before transfer of net assets to new sponsors	252,085	486,184	738,269	(2,609,884)
Transfer of net assets to new sponsors	239,471	(4,297,800)	(4,058,329)	(1,695,038)
<b>CHANGE IN NET ASSETS</b>	491,556	(3,811,616)	(3,320,060)	(4,304,922)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,423,292</b>	<b>6,255,778</b>	<b>8,679,070</b>	<b>12,983,992</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,914,848</b>	<b>\$ 2,444,162</b>	<b>\$ 5,359,010</b>	<b>\$ 8,679,070</b>

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, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	Program Services			Supporting Services			2017 Total	2016 Total (Restated)
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Patient assistance	\$ 2,182,436	\$ -	\$ 2,182,436	\$ -	\$ -	\$ -	\$ 2,182,436	\$ 2,422,241
Salaries and wages	1,034,678	177,740	1,212,418	237,276	354,400	591,676	1,804,094	2,404,505
Contract services	392,933	-	392,933	1,143,261	21,590	1,164,851	1,557,784	1,835,144
Postage, printing and mailing costs	636,288	-	636,288	831,651	70,206	901,857	1,538,145	1,561,192
Payroll taxes and fringe benefits	329,668	39,077	368,745	68,905	103,676	172,581	541,326	694,666
Special events	-	-	-	277,671	-	277,671	277,671	99,914
Professional fees and counseling	183,713	29,632	213,345	24,902	34,371	59,273	272,618	480,438
Occupancy	15,742	209,457	225,199	4,614	7,314	11,928	237,127	476,610
Depreciation and amortization	28,074	126,071	154,145	8,229	13,045	21,274	175,419	289,936
Data processing and list costs	65,744	-	65,744	11,919	16,451	28,370	94,114	13,274
Office supplies and expenses	35,223	14,945	50,168	6,300	8,695	14,995	65,163	111,330
Travel	58,823	-	58,823	6,034	8,329	14,363	73,186	54,890
Bank and investment management fees	47,499	-	47,499	10,088	13,925	24,013	71,512	60,653
Licenses and fees	41,598	-	41,598	16,733	1,446	18,179	59,777	90,054
Interest	28,573	-	28,573	6,068	8,376	14,444	43,017	25,943
Publications	24,417	-	24,417	-	-	-	24,417	81,108
Telephone	13,551	6,912	20,463	925	1,277	2,202	22,665	21,415
Miscellaneous	3,143	5,195	8,338	574	793	1,367	9,705	28,408
Bad debt expense	-	-	-	-	7,841	7,841	7,841	-
Advertising	555	89	644	118	163	281	925	1,172
<b>Total Expenses Excluding Donated Media</b>	<b>5,122,658</b>	<b>609,118</b>	<b>5,731,776</b>	<b>2,655,268</b>	<b>671,898</b>	<b>3,327,166</b>	<b>9,058,942</b>	<b>10,752,893</b>
Donated media expenses	1,507,841	-	1,507,841	-	398,808	398,808	1,906,649	3,748,643
<b>TOTAL EXPENSES</b>	<b>\$ 6,630,499</b>	<b>\$ 609,118</b>	<b>\$ 7,239,617</b>	<b>\$ 2,655,268</b>	<b>\$ 1,070,706</b>	<b>\$ 3,725,974</b>	<b>\$ 10,965,591</b>	<b>\$ 14,501,536</b>

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, 2017  
(With Summarized Financial Information for the Year Ended June 30, 2016)  
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,320,060)	\$ (4,304,922)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	175,419	289,936
Net realized and unrealized losses (gains) on investments	(90,566)	108,393
Net assets of properties transferred to new sponsors	4,058,329	1,695,038
Changes in assets and liabilities:		
Pledges receivable	317,267	255,501
Accounts receivable	(45,481)	10,110
Prepaid expenses and other assets	(83,391)	(79,509)
Accounts payable and accrued expenses	(154,676)	206,510
Tenant security deposits	(520)	437
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>856,321</b>	<b>(1,818,506)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,079,236)	(4,224,647)
Proceeds from sales of investments	2,384,766	1,560,901
Deposits to restricted cash for replacement reserves and interest	(20,277)	(197,177)
Cash of housing properties transferred to new sponsors	(33,644)	(15,032)
Purchases of property and equipment	(215,837)	(122,924)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>35,772</b>	<b>(2,998,879)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	-	(14,138)
Borrowings on the line of credit	200,500	1,150,000
Repayments on the line of credit	(593,599)	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(393,099)</b>	<b>1,135,862</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>498,994</b>	<b>(3,681,523)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,376,718	5,058,241
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>\$ 1,875,712</b>	<b>\$ 1,376,718</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Actual cash payments for interest	<b>\$ 39,458</b>	<b>\$ 19,319</b>

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, 2017**

---

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 from individuals and corporate grants.

MSAA Jacksonville, Inc. (MSAA Jacksonville), an affiliate of the Association, was organized to construct and operate an apartment complex for elderly and handicapped persons under Section 811 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) as to rent charges and operating methods.

In December 2016, HUD approved MSAA's request to transfer the building owned by MSAA Housing for Independent Living, Inc. (MSAA HIL), a former affiliate, to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor, and the members of MSAA's Board of Directors who served on the Board of Directors of MSAA HIL resigned effective December 14, 2016. Effective December 15, 2016, MSAA HIL's activities were no longer included in the consolidated financial statements of the Association, as the Association no longer controlled MSAA HIL.

In March 2017, HUD approved MSAA's request to transfer the building owned by MSAA Housing for the Disabled, Inc. (MSAA HFD), a former affiliate, to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor, and the members of MSAA's Board of Directors who served on the Board of Directors of MSAA HFD resigned effective March 6, 2017. Effective March 7, 2017, MSAA HFD's activities were no longer included in the consolidated financial statements of the Association, as the Association no longer controlled MSAA HFD.

**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 fixed income, fixed-income mutual funds, equity securities, and equity mutual funds 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

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

**Investments (continued)**

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 (loss) in the accompanying consolidated statement of activities.

**Fair Value of Financial Instruments**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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, 2017, 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 Measurement* 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. 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

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

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

**Pledges Receivable (continued)**

30, 2017, the pledges were recorded in the accompanying consolidated financial statements, net of an allowance of approximately 23%. 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.

**Property and Equipment and Related Depreciation and Amortization**

Property and equipment with a useful life of more than one year and an acquisition cost greater than \$2,000 are capitalized at cost. Costs incurred in the development of the website are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the development stage are capitalized. 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 or expenses in the accompanying consolidated statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives for property and equipment are as follows:

<u>Categories</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	30-40 years
Furniture, fixtures and equipment	5-7 years
Website and software costs	3 years

MSAA reviews 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, 2017.

**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.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

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

**Revenue Recognition**

Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give 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 a capital advance from HUD under Section 811 of the National Affordable Housing Act. This advance is reported as temporarily restricted support when received. The capital advance does not bear interest and is 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 advance will be released from temporarily restricted net assets upon the expiration of the 40-year term of the agreements, which will occur in January 2039.

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

**Donated Media**

Donated media is reflected as revenue and expenses in the accompanying consolidated statement of activities at the estimated fair value as provided by the donor or third party. Donated media primarily consists of digital media spots on the internet 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 (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**Measure of Operations**

MSAA includes in its measure of operations all revenue and expenses from contributions, grants and bequests, rental income, special events, investment income and other revenue generated from MSAA's programs. The measure of operations excludes donated media, as these revenue and expense amounts are not part of MSAA's annual budgeting process.

**Change in Accounting Policy**

During the year, management changed its methodology for valuing donated media based on input from the third party that tracks and values MSAA's donated media. The valuation is now based on the likely reach and probability that someone clicks on the media article. Management changed this methodology to better reflect the fair value of the donated media. The amounts reported for the donated media during the year ended June 30, 2016, have been restated to conform with the current year valuation methodology, which resulted in a decrease in donated media revenue and expenses of \$10,225,013 and had no impact on the change in net assets or the net assets.

2. Transfer of MSAA HIL and MSAA HFD to New Sponsors

In December 2016, HUD approved MSAA's request to transfer the building owned by MSAA HIL to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor. Effective December 15, 2016, MSAA HIL's activities were no longer included in the consolidated financial statements of the Association, as the Association no longer controlled MSAA HIL.

In March 2017, HUD approved MSAA's request to transfer the building owned by MSAA HFD, a former affiliate, to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor. Effective March 7, 2017, MSAA HFD's activities were no longer included in the consolidated financial statements of the Association, as the Association no longer controlled MSAA HFD.

The fair value of the assets and liabilities of MSAA HIL and MSAA HFD transferred to the new sponsors on December 15, 2016, and March 7, 2017, respectively, are summarized as follows:

<u>Assets:</u>	<u>MSAA HIL</u>	<u>MSAA HFD</u>	<u>Total</u>
Cash and cash equivalents	\$ 226	\$ 33,418	\$ 33,644
Accounts receivable	28,943	4,744	33,687
Prepaid expenses and other assets	18,154	15,629	33,783
Restricted cash and cash equivalents	535,930	615,049	1,150,979
Property and equipment, net	<u>1,390,297</u>	<u>1,454,200</u>	<u>2,844,497</u>
Total Assets	<u>\$ 1,973,550</u>	<u>\$ 2,123,040</u>	<u>\$ 4,096,590</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

2. Transfer of MSAA HIL and MSAA HFD to New Sponsors (continued)

<u>Liabilities:</u>	<u>MSAA HIL</u>	<u>MSAA HFD</u>	<u>Total</u>
Accounts payable and accrued expenses	\$ 17,637	\$ 8,801	\$ 26,438
Tenant security deposits	<u>5,859</u>	<u>5,964</u>	<u>11,823</u>
Total Liabilities	<u>\$ 23,496</u>	<u>\$ 14,765</u>	<u>\$ 38,261</u>
Transfer of Net Assets to New Sponsors	<u>\$ 1,950,054</u>	<u>\$ 2,108,275</u>	<u>\$ 4,058,329</u>

3. Investments

As of June 30, 2017, MSAA's investments consisted of the following:

Fixed income	\$ 652,922
Fixed-income mutual funds	397,142
Equity securities	837,780
Equity mutual funds	<u>708,180</u>
Total Investments	<u>\$ 2,596,024</u>

Investment returns are summarized as follows for the year ended June 30, 2017:

Realized losses	\$ (78,056)
Unrealized gains	168,622
Interest and dividends	<u>73,033</u>
Total Investment Income	<u>\$ 163,599</u>

Included in interest and dividends above, and in investment income in the accompanying consolidated statement of activities, is \$1,901 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, 2017**

4. Fair Value Measurement

The following table summarizes MSAA's assets measured at fair value on a recurring basis as of June 30, 2017, aggregated by the fair value hierarchy level with which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income:				
Government	\$ 121,729	\$ -	\$ 121,729	\$ -
Corporate	467,620	-	467,620	-
Preferred	10,444	-	10,444	-
Secured	15,121	-	15,121	-
Municipal	38,008	-	38,008	-
Fixed-income mutual funds:				
Domestic	254,070	254,070	-	-
International	143,072	143,072	-	-
Equity securities:				
Large cap	733,098	733,098	-	-
International	104,682	104,682	-	-
Equity mutual funds:				
Large cap	471,157	471,157	-	-
Mid cap	55,712	55,712	-	-
Small cap	38,048	38,048	-	-
International	106,158	106,158	-	-
Emerging markets	37,105	37,105	-	-
Total	<u>\$ 2,596,024</u>	<u>\$ 1,943,102</u>	<u>\$ 652,922</u>	<u>\$ -</u>

MSAA used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Mutual funds and equity securities* – Valued at the net asset value of shares held at year-end, which represents quoted prices in an active market.

*Fixed income* – Represents securities that are generally not traded on a daily basis. The fair value estimates of such investments are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such investments, as provided by the pricing service, are included in Level 2.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

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, 2017, restricted cash and cash equivalents of \$53,908, which are included in the accompanying consolidated statement of financial position, were being maintained 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, 2017:

Land	\$ 476,858
Buildings and improvements	1,776,854
Furniture, fixtures and equipment	83,011
Website and software costs	<u>214,140</u>
Total Property and Equipment	2,550,863
Less: Accumulated Depreciation and Amortization	<u>(586,685)</u>
Property and Equipment, Net	<u>\$ 1,964,178</u>

Depreciation and amortization expense was \$175,419 for the year ended June 30, 2017.

7. Temporarily Restricted Net Assets

As of June 30, 2017, temporarily restricted net assets were available for the following purposes:

Housing	\$ 934,700
Sponsorship for 2018 Lone Star Round Up for MS	40,000
Sponsorship for 2018 Race for a Cause	40,000
Sponsorship for 2018 MS Day	10,000
Patient services	<u>1,419,462</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,444,162</u>

8. Commitments and Contingencies

**Concentrations of Risk**

The operations of MSAA Jacksonville are concentrated in the multifamily real estate market, which is a heavily regulated environment. The operations of MSAA Jacksonville 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 change may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a new mandate.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

8. Commitments and Contingencies (continued)

**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, 2017, MSAA had approximately \$1,962,000 composed of demand deposits, savings and money market accounts and other investment securities, which exceeded the maximum limit insured by the FDIC by approximately \$1,556,000. MSAA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

**Line of Credit**

MSAA has a \$1,900,000 revolving line of credit with a financial institution 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, 2017, was 3.33%. The line of credit is due upon demand. As of June 30, 2017, \$1,103,393 was outstanding on the line of credit. Interest expense incurred on this line of credit during the year ended June 30, 2017, was \$43,017.

9. Donated Media and Services

During the year ended June 30, 2017, MSAA received \$397,337 of donated advertisements from the Google AdWords campaign. The Google AdWords campaign consists of advertisements for MSAA's services received from Google free of charge and is recorded as donated media expenses under the public education and patient services program in the accompanying consolidated statement of functional expenses.

In addition, during the year ended June 30, 2017, MSAA received donated media totaling \$1,509,312, which consisted of newspaper and digital articles that were donated to MSAA by various media outlets. MSAA has contracted with an independent outside agency to track the publication of these media materials. Media materials appear as donated media expenses in the accompanying consolidated statement of functional expenses under the public education and patient services program and general and administrative services.

MSAA's programs are also furthered through the contribution of time by unpaid volunteers. For the year ended June 30, 2017, volunteers have contributed more than 761 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 GAAP.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

---

10. Allocation of Joint Costs

For the year ended June 30, 2017, 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. These joint costs are allocated as follows:

Fundraising	\$ 1,851,842
Public education and patient services	1,005,895
General and administrative	<u>90,070</u>
Total	<u>\$ 2,947,807</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 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 employee's years of service with MSAA, as defined in the plan document. During the year ended June 30, 2017, MSAA contributed \$49,359 to the plan.

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Association and MSAA Jacksonville are exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2017, no provision for income taxes was made, as the Association and MSAA Jacksonville 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 uncertainty in income taxes for the year ended June 30, 2017, 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, 2017, the statute of limitations for tax years ended June 30, 2014, through June 30, 2016, 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 uncertainty in income taxes, 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, 2017**

---

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 GAAP. Accordingly, such information should be read in conjunction with MSAA's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

14. Reclassifications

Certain 2016 balances were reclassified to conform to the 2017 financial statements presentation.

15. Subsequent Events

In preparing these consolidated financial statements, MSAA has evaluated events and transactions for potential recognition or disclosure through October 19, 2017, 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.