

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

CONSOLIDATED FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2018)**

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]

ACCOUNTANTS AND ADVISORS

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Multiple Sclerosis Association of America, Inc. and Affiliate
Cherry Hill, New Jersey

We have audited the accompanying consolidated financial statements of Multiple Sclerosis Association of America, Inc. (the Association) and Affiliate (collectively referred to as MSAA), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditors' 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), the Affiliate, which statements reflects total assets of \$644,495 as of June 30, 2019 and total revenue of \$144,415 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.

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 Multiple Sclerosis Association of America, Inc. and Affiliate as of June 30, 2019, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Report on Summarized Comparative Information

The consolidated financial statements of MSAA for the year ended June 30, 2018 were audited by other auditors whose report thereon dated October 25, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Freedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, PA
September 23, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,055,866	\$ 1,960,283
Investments	2,796,910	2,479,841
Grants and other receivables	152,159	83,540
Pledges receivable, net	152,176	616,068
Prepaid expenses and other assets	211,779	192,818
Total current assets	5,368,890	5,332,550
Restricted cash	58,388	61,995
Property and equipment, net	2,050,925	2,127,587
Total assets	\$ 7,478,203	\$ 7,522,132
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit	\$ -	\$ 1,103,393
Note payable, current portion	29,914	-
Accounts payable and accrued expenses	744,495	834,404
Total current liabilities	774,409	1,937,797
Long-term liabilities		
Note payable, net of current portion	945,505	-
Tenant security deposits	3,373	3,190
Total liabilities	1,723,287	1,940,987
Commitments and Contingencies		
Net assets		
Without donor restrictions		
General - Association	3,741,987	2,029,889
General - Affiliate	(299,180)	(280,575)
Board designated	-	1,500,000
	3,442,807	3,249,314
With donor restrictions	2,312,109	2,331,831
Total net assets	5,754,916	5,581,145
Total liabilities and net assets	\$ 7,478,203	\$ 7,522,132

See notes to the consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30,			2018 Summarized Total
	2019			
	Without donor restrictions	With donor restrictions	Total	
Revenues and support				
Contributions	\$ 5,717,305	\$ -	\$ 5,717,305	\$ 5,045,192
Grants and bequests	302,656	1,747,892	2,050,548	2,966,023
Rental income	143,615	-	143,615	145,340
Special events, net of direct donor benefit costs of \$199,843 in 2019 and \$223,012 in 2018	506,216	-	506,216	483,590
Investment income, net	223,175	-	223,175	143,572
Miscellaneous income	250,642	-	250,642	334,466
Net assets released from restrictions	1,767,614	(1,767,614)	-	-
Total revenues and support	8,911,223	(19,722)	8,891,501	9,118,183
Expenses				
Program services				
Public education and patient services	4,922,465	-	4,922,465	5,586,902
Housing	163,020	-	163,020	145,460
Total program services	5,085,485	-	5,085,485	5,732,362
Supporting services				
Fundraising	2,708,600	-	2,708,600	2,479,784
General and administrative	923,645	-	923,645	683,902
Total supporting services	3,632,245	-	3,632,245	3,163,686
Total expenses	8,717,730	-	8,717,730	8,896,048
Change in net assets from operations	193,493	(19,722)	173,771	222,135
Donated media revenue	(118,397)	-	(118,397)	645,785
Donated media expenses	118,397	-	118,397	(645,785)
Change in net assets	193,493	(19,722)	173,771	222,135
Net assets, beginning of year	3,249,314	2,331,831	5,581,145	5,359,010
Net assets, end of year	\$ 3,442,807	\$ 2,312,109	\$ 5,754,916	\$ 5,581,145

See notes to the consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Program Services			Supporting Services			2019 Total	2018 Summarized Total
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Patient assistance	\$ 2,035,456	\$ -	\$ 2,035,456	\$ -	\$ -	\$ -	\$ 2,035,456	\$ 2,687,692
Salaries and wages	1,098,967	41,020	1,139,987	229,557	502,313	731,870	1,871,857	1,741,093
Contract services	288,650	-	288,650	1,027,410	25,005	1,052,415	1,341,065	1,447,101
Postage, printing and mailing costs	547,117	-	547,117	1,197,710	77,099	1,274,809	1,821,926	1,541,727
Payroll taxes and fringe benefits	328,972	5,502	334,474	56,741	141,140	197,881	532,355	522,440
Professional fees and counseling	189,705	8,540	198,245	14,617	25,948	40,565	238,810	263,838
Data processing and list costs	115,118	-	115,118	22,825	40,516	63,341	178,459	94,748
Miscellaneous	82,742	9,169	91,911	19,771	38,450	58,221	150,132	117,142
Depreciation and amortization	52,627	27,148	79,775	8,329	19,254	27,583	107,358	72,472
Occupancy	16,435	66,536	82,971	3,638	7,767	11,405	94,376	83,483
Travel	71,795	-	71,795	6,923	12,289	19,212	91,007	70,338
Office supplies and expenses	34,324	5,105	39,429	6,308	11,196	17,504	56,933	58,191
Special events	-	-	-	102,000	-	102,000	102,000	71,650
Interest	31,856	-	31,856	6,718	11,925	18,643	50,499	42,094
Bank fees	28,701	-	28,701	6,053	10,743	16,796	45,497	82,039
Total expenses excluding donated media	4,922,465	163,020	5,085,485	2,708,600	923,645	3,632,245	8,717,730	8,896,048
Donated media expenses	117,309	-	117,309	1,088	-	1,088	118,397	645,785
Total expenses	\$ 5,039,774	\$ 163,020	\$ 5,202,794	\$ 2,709,688	\$ 923,645	\$ 3,633,333	\$ 8,836,127	\$ 9,541,833

See notes to the consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 173,771	\$ 222,135
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	107,356	72,472
Loss on disposal of property	37,132	7,760
Contributed securities	(120,668)	-
Net realized and unrealized gains on investments	(145,076)	(96,353)
Changes in operating assets and liabilities		
Pledges receivable	463,892	(150,652)
Grants and other receivables	(68,619)	(1,921)
Prepaid expenses and other assets	(18,961)	28,939
Accounts payable and accrued expenses	(89,009)	41,763
Tenant security deposits	183	(380)
Deferred revenues	4,132	-
Net cash provided by operating activities	344,133	123,763
Cash flows from investing activities		
Purchase of investments	(1,950,903)	(624,029)
Proceeds from sales of investments	1,894,548	836,565
Withdrawals from (deposits to) restricted cash for replacement reserves and interest	3,607	(8,087)
Purchases of property and equipment	(66,358)	(243,641)
Net cash used in investing activities	(119,106)	(39,192)
Cash flows from financing activities		
Borrowings from note payable	1,000,000	-
Acquisition of debt issuance costs	(18,874)	-
Repayments on note payable	(7,177)	-
Repayments on the line of credit	(1,103,393)	-
Net cash used in financing activities	(129,444)	-
Net increase in cash and cash equivalents	95,583	84,571
Cash and cash equivalents, beginning of year	1,960,283	1,875,712
Cash and cash equivalents, end of year	\$ 2,055,866	\$ 1,960,283
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 46,362	\$ 38,182
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES		
Land donated to the City of Jacksonville	\$ 30,000	\$ -

See notes to the consolidated financial statements.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

Organization and Nature of Activities

The Multiple Sclerosis Association of America, Inc. (the Association) was incorporated as a nonprofit organization in 1970. The Association is a leading resource for the entire multiple sclerosis (MS) community, improving lives today through vital services and support. The Association is dedicated to improving lives today through ongoing support and direct services to individuals with MS, their families, and their care partners. 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 consisting of 13 housing units 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The consolidated financial statements of the Association and MSAA Jacksonville (collectively referred to as MSAA) have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (US GAAP) and include the accounts of the Association and MSAA Jacksonville. All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

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

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.

Cash and Cash Equivalents

MSAA considers all money market funds to be cash equivalents.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in fixed income instruments, mutual funds and equity securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported as increases or decreases in net assets in the reporting period. Investment fees are netted against investment returns.

Grants and Other Receivables

Grants and other receivables are reported at the amount management expects to collect from outstanding balances at year-end. MSAA's management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2019 and 2018.

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 years ended June 30, 2019 and 2018, the pledges were recorded in the accompanying consolidated financial statements, net of an allowance of approximately 15-23%. 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.

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 \$750 are capitalized at cost. Costs incurred in the development of software and 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.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Related Depreciation and Amortization (Continued)

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

Categories	Estimated Useful Lives
Buildings and improvements	30-40 years
Furniture, fixtures and equipment	5-7 years
Website and software costs	3-15 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 years ended June 30, 2019 and 2018.

Debt Issuance Costs and Amortization

Deferred debt issuance costs consist of costs associated with the mortgage note payable and include closing costs, legal fees and other related costs, and are subject to amortization. Deferred debt issuance costs are being amortized using the straight-line basis over the life of the related note. Amortization expense related to deferred debt issuance costs totaled \$1,469 for the year ended June 30, 2019, and is included in amortization expense on the consolidated statements of functional expenses.

Net Assets

Net assets, revenues, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. From time to time, the Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or purposes specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions, grants and bequests without donor restrictions 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 having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue earned from sponsorship or attendance at fundraising events is recognized at the time of the event. Amounts received in advance of the event are recorded as deferred revenue until the event is held. Expenses incurred in connection with an event that provide direct benefit to the donors are charged against the revenue earned from the event.

MSAA received a capital advance from HUD under Section 811 of the National Affordable Housing Act. This advance is reported as support with donor restrictions 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 net assets with donor restrictions 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.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Media

Donated media is reflected as revenue and expense 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. Expenses directly attributed to a specific functional area of MSAA are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Occupancy and depreciation expenses are allocated by the square footage used by the related department, and costs that are part of the direct mail and telemarketing campaigns are allocated based on the line counts of the direct mail and telemarketing pieces. All other shared costs are allocated based on a time study, which is done twice a year.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3), and is exempt from state income taxes. The Organization is not a private foundation.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the previously reported change in net assets.

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

MSAA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. MSAA's financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2019 and 2018, were as follows:

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

	2019	2018
Cash and cash equivalents	\$ 2,055,866	\$ 1,960,283
Pledges receivable	152,176	616,068
Grants receivable	152,159	83,540
Investments	2,796,910	2,479,841
Total financial assets available within one year	5,157,111	5,139,732
Less: amounts unavailable for general expenditures within one year due to donor's restriction with purpose restrictions	(2,312,109)	(2,331,831)
Less: amounts unavailable to management without Board approval		
Board-designated for working capital reserve	-	(1,500,000)
Total financial assets available to meet general expenditures within one year	\$ 2,845,002	\$ 1,307,901

MSAA has certain donor-restricted assets limited as to use which are unavailable for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the above qualitative information for financial assets to meet general expenditures within one year.

Liquidity Management

MSAA has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of MSAA throughout the year. This is done through monitoring and reviewing MSAA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of MSAA's cash flow related to MSAA's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs or to support organizational initiatives. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including \$250,000 in short-term liquid funds, and approximately 70% mutual funds and 30% equity securities. MSAA can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, MSAA has a committed line of credit of \$500,000, of which approximately \$500,000 was unused and available to draw upon as of June 30, 2019.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 - RESTRICTED CASH

Restricted cash 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, 2019 and 2018, restricted cash and cash equivalents of \$58,388 and \$61,995, respectively, which are included in the accompanying consolidated statement of financial position, were being maintained in accordance with the terms of these agreements.

5 - INVESTMENTS

As of June 30, 2019 and 2018, MSAA's investments at fair value consisted of the following:

	2019	2018
Fixed income	\$ 807,370	\$ 695,479
Fixed-income mutual funds	72,933	304,383
Equity securities	671,953	748,250
Equity mutual funds	1,244,654	731,729
Total investments	\$ 2,796,910	\$ 2,479,841

Investment income is summarized as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Realized gains	\$ 341,350	\$ 12,502
Unrealized gains (losses)	(196,274)	83,851
Interest and dividends	101,078	69,178
Investment management fees	(22,979)	(21,959)
Investment income, net	\$ 223,175	\$ 143,572

Included in interest and dividends above, and in investment income in the accompanying consolidated statement of activities, is \$15,759 and \$101 for the years ended June 30, 2019 and 2018, respectively, of interest income earned on cash and cash equivalents.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS

GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable:

Equity securities and mutual funds – Valued at the quoted net asset values (“NAV”) of the shares held by the MSAA. These common stocks and funds are required to publish their daily net asset value (NAV) and to transact at that price. The common stocks and mutual funds held by the MSAA are deemed to be actively traded.

Fixed income - The fair value of these securities is estimated based on models considering the estimated cash flows and expected yield.

The investment portfolio is targeted at approximately 70% equity and 30% fixed income.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENT (Continued)

MSAA's investments are reported at fair value as follows:

	Level 1	Level 2	Level 3	Total
Fixed income				
Government	\$ -	\$ 125,059	\$ -	\$ 125,059
Corporate	-	513,574	-	513,574
Preferred	-	57,275	-	57,275
Secured	-	55,892	-	55,892
Municipal	-	55,570	-	55,570
Fixed-income mutual funds				
Long-short credit	20,211	-	-	20,211
Alternative fixed income	52,722	-	-	52,722
Equity securities				
Large cap	622,716	-	-	622,716
Developed International	41,302	-	-	41,302
Mid cap	7,935	-	-	7,935
	-	-	-	-
Equity mutual funds				
Large cap	580,214	-	-	580,214
Mid cap	80,618	-	-	80,618
Small cap	132,614	-	-	132,614
Alternative Equity	103,361	-	-	103,361
Developed International	241,082	-	-	241,082
Emerging markets	106,765	-	-	106,765
Total investment assets at fair value	\$ 1,989,540	\$ 807,370	\$ -	\$ 2,796,910

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENT (Continued)

	Level 1	Level 2	Level 3	Total
Fixed income				
Government	\$ -	\$ 130,772	\$ -	\$ 130,772
Corporate	-	475,206	-	475,206
Preferred	-	29,594	-	29,594
Secured	-	23,673	-	23,673
Municipal	-	36,234	-	36,234
Fixed-income mutual funds				
Long-short credit	26,656	-	-	26,656
Domestic	193,575	-	-	193,575
International	84,152	-	-	84,152
Equity securities				
Large cap	643,954	-	-	643,954
International	104,296	-	-	104,296
Equity mutual funds				
Large cap	524,887	-	-	524,887
Mid cap	61,521	-	-	61,521
International	104,981	-	-	104,981
Emerging markets	40,340	-	-	40,340
Total investment assets at fair value	\$ 1,784,362	\$ 695,479	\$ -	\$ 2,479,841

7 - PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

MSAA held the following property and equipment as of June 30, 2019 and 2018:

	2019	2018
Land	\$ 446,858	\$ 476,858
Buildings and improvements	1,799,300	1,785,012
Furniture, fixtures and equipment	135,865	112,032
Website and software costs	419,925	405,886
Total property and equipment	2,801,948	2,779,788
Less: accumulated depreciation and amortization	(751,023)	(652,201)
Property and equipment, net	\$ 2,050,925	\$ 2,127,587

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
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NOTES TO FINANCIAL STATEMENTS

7 - PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION (Continued)

Depreciation and amortization expense was \$105,889 and \$72,472 for the years ended June 30, 2019 and 2018, respectively. During the year ended June 30, 2019, MSAA contributed land with a cost basis of \$30,000 to the City of Jacksonville.

8 - LINE OF CREDIT

In February 2019, MSAA paid off the balance of \$1,103,393 due on a previous line of credit with the proceeds from the mortgage note payable disclosed in Note 9. In February 2019, MSAA also obtained a \$500,000 revolving line of credit with a financial institution that is secured by a second mortgage on MSAA's building located in NJ. Interest is charged at the prime rate (5.50% at June 30, 2019) and expires on March 1, 2020. Interest expense incurred on the lines of credit during the years ended June 30, 2019 and 2018, was \$34,314 and \$42,094, respectively. As of June 30, 2019, there is no outstanding balance due on the line of credit.

9 - NOTE PAYABLE

In February 2019, MSAA entered into a mortgage loan agreement on its property located in NJ with a financial institution for \$1,000,000. This loan is collateralized by substantially all of the assets of MSAA, including a mortgage the property located in NJ, and includes a minimum debt charge coverage ratio and minimum liquidity covenants. The mortgage is payable in monthly payments of \$6,641 through March 1, 2024 including interest of 5% per annum, at which time a balloon payment is due for the remaining outstanding principal. The balance outstanding as of June 30, 2019 was \$992,824 and is shown net of unamortized debt issuance costs of \$17,405 on the statement of financial position as of June 30, 2019. Interest expense incurred on the mortgage note payable was \$20,079 for the year ended June 30, 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 - NOTE PAYABLE (Continued)

Future maturities of the note payable are as follows:

Year Ending June 30,		
2020	\$	29,914
2021		31,603
2022		33,243
2023		34,968
2024		863,096
	\$	992,824

10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

MSAA's net assets without donor restrictions comprised of undesignated and Board designated amounts for the following purposes at:

	June 30,	
	2019	2018
Undesignated – Association	\$ 3,741,987	\$ 2,029,889
Undesignated – Affiliate	(299,180)	(280,575)
Board designated	-	1,500,000
	\$ 3,442,807	\$ 3,249,314

Board Designated Funds

MSAA's Board had designated funds for a working capital reserve. The funds were to be used at the discretion of MSAA's Board. During the year ended June 30, 2019, the Board approved a resolution to release the \$1,500,000 of board designated assets and as of June 30, 2019, there are no board designated net assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions were restricted for the following purposes or period:

	2019	2018
Subject to expenditure for specified purpose		
Housing*	\$ 934,700	\$ 934,700
Patient services	1,377,409	1,349,631
Total subject to expenditure for specified purposes	\$ 2,312,109	\$ 2,284,331
Subject to occurrence of specified events/passage of time		
Sponsorship for 2019 MS Journey Exhibits	\$ -	\$ 37,500
Sponsorship for 2019 MS Family Day	-	10,000
Total subject to occurrence of specified events/passage of time	-	47,500
Total net assets with donor restrictions	\$ 2,312,109	\$ 2,331,831

*This represents the capital advance from HUD under Section 811 of the National Affordable Housing Act. It 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 net assets with donor restrictions upon the expiration of the 40-year term of the agreements, which will occur in January 2039.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

	June 30,	
	2019	2018
Purpose restrictions accomplished	\$ 1,720,114	\$ 2,579,070
Time restrictions expired	47,500	160,900
	\$ 1,767,614	\$ 2,739,970

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12 - DONATED MEDIA AND SERVICES

During the years ended June 30, 2019 and 2018, MSAA received \$111,386 and \$124,955, respectively, 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 years ended June 30, 2019 and 2018, MSAA received donated media totaling \$5,758 and \$520,830, respectively, 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 are reflected as donated media expenses in the accompanying consolidated statement of functional expenses under the public education and patient services program and fundraising.

MSAA's programs are also furthered through the contribution of time by unpaid volunteers. In the years ended June 30, 2019 and 2018, volunteers contributed approximately 950 and 1,270 hours, respectively, 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.

13 - ALLOCATION OF JOINT COSTS

For the years ended June 30, 2019 and 2018, 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:

	2019	2018
Fundraising	\$ 2,005,291	\$ 1,821,931
Public education and patient services	811,400	873,421
General and administrative	101,606	82,740
Total	\$ 2,918,297	\$ 2,788,092

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14 - RELATED PARTY TRANSACTIONS

MSAA is one of the founding members of the MS Coalition, another nonprofit organization that advocates programs for treatment of multiple sclerosis. In addition to being a coalition member, the President and CEO of MSAA served as Treasurer for the MS Coalition. During the year ended June 30, 2018, the MS Coalition conducted an educational convention for people living with multiple sclerosis to showcase products and services that can help ease their day-to-day lives. MSAA assisted in raising funds for the event. All funds raised by MSAA for the event were specifically designated to support the event and, consequently, in accordance with the provisions of FASB ASC Topic 958-20, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, the amounts received and disbursed by MSAA for the event were not considered revenue and expenses of MSAA for the year ended June 30, 2018, as MSAA did not have the variance power to redirect these funds to other grantees or purposes. During the year ended June 30, 2018, MSAA received \$201,500 from various donors that was subsequently disbursed to MS Coalition. As of June 30, 2018, \$35,000 of the pass-through contributions was included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. There were no transactions with MS Coalition during the year ended June 30, 2019.

15 - 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.

Concentrations of Credit Risk

MSAA maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation (FDIC). Each of these accounts is guaranteed by the FDIC up to \$250,000. At times, during the year, these balances may exceed FDIC limits. At June 30, 2019, MSAA had approximately \$1,644,000 of uninsured balances.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 - COMMITMENTS AND CONTINGENCIES (Continued)

Concentrations of Credit Risk (Continued)

A significant portion of MSAA's assets are invested in investment securities. Investment securities are exposed to various risks such as interest rate, market, 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 that such changes could materially affect investment balances and the amounts reported in the financial statements.

16 - PENSION PLAN

MSAA has a voluntary defined contribution retirement plan that is available to all eligible employees as defined in the plan and includes a provision for a safe harbor nonelective employer contribution available to all eligible employees who have completed at least three months of service and attained 21 years of age. An employee is 100% vested in the employer contributions. During the years ended June 30, 2019 and 2018, MSAA contributed \$52,368 and \$44,294, respectively, to the plan.

17 - 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, 2018, from which the summarized information was derived.

18 - UNCERTAIN TAX POSITIONS

Management of MSAA considers the likelihood of changes by taxing authorities in its income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to MSAA's status as a not-for-profit entity. Management believes MSAA met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 - SUBSEQUENT EVENTS

MSAA has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 23, 2019, the date on which the financial statements were available to be issued