

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED TOTALS FOR THE  
YEAR ENDED JUNE 30, 2019)**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**FRIEDMAN LLP<sup>®</sup>**

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 statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year 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 \$627,250 and \$644,495 as of June 30, 2020 and 2019, respectively, and total revenue of \$144,034 and \$144,415, respectively, for the years 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, 2020, 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.

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

We have previously audited MSAA's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Philadelphia, PA  
September 23, 2020

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,852,140	\$ 2,055,866
Investments	3,433,017	2,796,910
Grants and other receivables	146,476	152,159
Pledges receivable, net	58,890	152,176
Prepaid expenses and other assets	316,446	208,405
<b>Total current assets</b>	<b>5,806,969</b>	<b>5,365,516</b>
<b>Restricted cash</b>	<b>63,915</b>	<b>61,762</b>
<b>Property and equipment, net</b>	<b>2,030,591</b>	<b>2,050,925</b>
<b>Total assets</b>	<b>\$ 7,901,475</b>	<b>\$ 7,478,203</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Note payable, current portion	\$ 199,869	\$ 29,914
Accounts payable and accrued expenses	739,697	705,008
Deferred revenues	47,489	39,487
Refundable advances	141,086	-
<b>Total current liabilities</b>	<b>1,128,141</b>	<b>774,409</b>
<b>Long-term liabilities</b>		
Note payable, net of current portion	1,185,804	945,505
Tenant security deposits	2,885	3,373
<b>Total liabilities</b>	<b>2,316,830</b>	<b>1,723,287</b>
<b>Commitments and Contingencies</b>		
<b>Net assets</b>		
Without donor restrictions		
General - Association	3,906,545	3,741,987
General - Affiliate	(315,937)	(299,180)
	<b>3,590,608</b>	<b>3,442,807</b>
With donor restrictions	1,994,037	2,312,109
<b>Total net assets</b>	<b>5,584,645</b>	<b>5,754,916</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,901,475</b>	<b>\$ 7,478,203</b>

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,			2019 Summarized Total
	2020			
	Without donor restrictions	With donor restrictions	Total	
<b>Revenues and support</b>				
Contributions	\$ 5,057,414	\$ -	\$ 5,057,414	\$ 5,717,305
Grants and bequests	550,294	1,735,683	2,285,977	2,050,548
Rental income	143,797	-	143,797	143,615
Special events, net of direct donor benefit costs of \$32,974 in 2020 and \$199,843 in 2019	190,049	-	190,049	506,216
Investment income, net	61,950	-	61,950	223,175
Miscellaneous income	292,848	-	292,848	250,642
Net assets released from restrictions	2,053,755	(2,053,755)	-	-
<b>Total revenues and support</b>	<b>8,350,107</b>	<b>(318,072)</b>	<b>8,032,035</b>	<b>8,891,501</b>
<b>Expenses</b>				
Program services				
Public education and patient services	4,515,509	-	4,515,509	4,922,465
Housing	160,791	-	160,791	163,020
<b>Total program services</b>	<b>4,676,300</b>	<b>-</b>	<b>4,676,300</b>	<b>5,085,485</b>
Supporting services				
Fundraising	2,633,870	-	2,633,870	2,708,600
General and administrative	892,136	-	892,136	923,645
<b>Total supporting services</b>	<b>3,526,006</b>	<b>-</b>	<b>3,526,006</b>	<b>3,632,245</b>
<b>Total expenses</b>	<b>8,202,306</b>	<b>-</b>	<b>8,202,306</b>	<b>8,717,730</b>
Change in net assets from operations	147,801	(318,072)	(170,271)	173,771
Donated media revenue	128,971	-	128,971	(118,397)
Donated media expenses	(128,971)	-	(128,971)	118,397
Change in net assets	147,801	(318,072)	(170,271)	173,771
Net assets, beginning of year	3,442,807	2,312,109	5,754,916	5,581,145
<b>Net assets, end of year</b>	<b>\$ 3,590,608</b>	<b>\$ 1,994,037</b>	<b>\$ 5,584,645</b>	<b>\$ 5,754,916</b>

See notes to the consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

	Program Services			Supporting Services			2020 Total	2019 Summarized Total
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Salaries and wages	\$ 1,094,000	\$ 38,370	\$ 1,132,370	\$ 270,401	\$ 518,307	\$ 788,708	\$ 1,921,078	\$ 1,871,857
Postage, printing and mailing costs	531,662	-	531,662	1,276,178	73,857	1,350,035	1,881,697	1,821,926
Patient assistance	1,762,255	-	1,762,255	-	-	-	1,762,255	2,035,456
Contract services	221,031	18,775	239,806	896,866	23,392	920,258	1,160,064	1,341,065
Payroll taxes and fringe benefits	341,190	14,551	355,741	71,723	144,665	216,388	572,129	532,355
Professional fees and counseling	207,961	19,546	227,507	11,835	20,255	32,090	259,597	238,810
Computer expense and list costs	104,607	-	104,607	21,513	36,818	58,331	162,938	178,459
Depreciation and amortization	54,223	27,114	81,337	11,210	23,209	34,419	115,756	107,358
Occupancy	29,105	24,842	53,947	4,753	8,213	12,966	66,913	94,376
Miscellaneous	48,238	-	48,238	13,737	3,247	16,984	65,222	150,132
Office supplies and expenses	29,757	17,593	47,350	5,260	9,025	14,285	61,635	56,933
Bank fees	32,025	-	32,025	6,984	11,954	18,938	50,963	45,497
Interest	31,661	-	31,661	6,905	11,817	18,722	50,383	50,499
Travel	27,794	-	27,794	4,310	7,377	11,687	39,481	91,007
Special events	-	-	-	32,195	-	32,195	32,195	102,000
Total expenses excluding donated media	4,515,509	160,791	4,676,300	2,633,870	892,136	3,526,006	8,202,306	8,717,730
Donated media expenses	128,971	-	128,971	-	-	-	128,971	118,397
Total expenses	\$ 4,644,480	\$ 160,791	\$ 4,805,271	\$ 2,633,870	\$ 892,136	\$ 3,526,006	\$ 8,331,277	\$ 8,836,127

See notes to the consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (170,271)	\$ 173,771
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	115,756	107,356
Loss on disposal of property	-	37,132
Contributed securities	(12,605)	(120,668)
Net realized and unrealized gains on investments	(6,851)	(145,076)
Changes in operating assets and liabilities		
Grants and other receivables	5,683	(68,619)
Pledges receivable	93,286	463,892
Prepaid expenses and other assets	(108,041)	(18,961)
Accounts payable and accrued expenses	34,689	(89,009)
Tenant security deposits	(488)	366
Deferred revenues	8,002	4,132
Refundable advances	141,086	-
<b>Net cash provided by operating activities</b>	<b>100,246</b>	<b>344,316</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(2,813,526)	(1,950,903)
Proceeds from sales of investments	2,196,876	1,894,548
Purchases of property and equipment	(91,648)	(66,358)
<b>Net cash used in investing activities</b>	<b>(708,298)</b>	<b>(122,713)</b>
<b>Cash flows from financing activities</b>		
Borrowings from note payable	436,390	1,000,000
Acquisition of debt issuance costs	-	(18,874)
Repayments on note payable	(29,911)	(7,177)
Repayments on the line of credit	-	(1,103,393)
<b>Net cash provided by (used in) financing activities</b>	<b>406,479</b>	<b>(129,444)</b>
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(201,573)</b>	<b>92,159</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>2,117,628</b>	<b>2,025,469</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 1,916,055</b>	<b>\$ 2,117,628</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash, beginning of year</b>		
Cash and cash equivalents	\$ 2,055,866	\$ 1,960,283
Insurance escrow	-	1,326
Tenant security deposits	3,374	3,191
Replacement reserve	51,950	56,434
Residual receipts	6,438	4,235
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>\$ 2,117,628</b>	<b>\$ 2,025,469</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash, end of year</b>		
Cash and cash equivalents	\$ 1,852,140	\$ 2,055,866
Tenant security deposits	2,885	3,374
Replacement reserve	58,020	51,950
Residual receipts	3,010	6,438
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 1,916,055</b>	<b>\$ 2,117,628</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 49,782	\$ 46,362
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES</b>		
Land donated to the City of Jacksonville	\$ -	\$ 30,000

See notes to the consolidated financial statements.



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

**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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues and Support**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASC 606”). The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The standard supersedes existing revenue recognition guidance. This standard was effective for annual reporting periods beginning after December 15, 2018. Effective July 1, 2019, MSAA adopted ASC 606 using the modified retrospective method. There was no cumulative effect of adopting ASC 606 to be recognized as an adjustment to opening net assets as of July 1, 2019. The initial application was applied to all contracts outstanding at July 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities– Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. MSAA adopted ASU 2018-08 effective July 1, 2019 on a modified prospective basis. The adoption of this ASU did not impact the consolidated financial statements.

*Contributions and Grants* – In accordance with ASU 2018-08, grants awarded to MSAA which are generally considered nonreciprocal transactions restricted by funders/supporters for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the grant agreements are met. Unconditional promises to give cash and other assets to MSAA are reported as contributions and grants and recorded at fair value on the date the promise is received. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received for specific purposes or with donor stipulations are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues and Support (Continued)**

*Fundraising Events* - Revenue earned from sponsorships or attendance at fundraising events is recognized at the time of the event. Revenue from sponsorships is considered contribution revenue as they are generally nonreciprocal transactions. Revenue from ticket sales are considered an exchange transaction for the value received. Ticket sales and contributions received in advance of the event are recorded as deferred revenue (contract liability) and refundable advances, respectively, until the event is held. As of June 30, 2020 and 2019, deferred revenue amounted to \$47,489 and \$39,487, respectively. Expenses incurred in connection with an event that provide direct benefit to the donors are charged against the revenue earned from the event.

*Miscellaneous Income* – In accordance with ASC 606, MSAA recognizes contract revenue when the following criteria are met: 1) Contract with the customer has been identified; 2) Performance obligations in the contract have been identified; 3) Transaction price has been determined; 4) The transaction price has been allocated to the performance obligations; and 5) When (or as) performance obligations are satisfied.

MSAA has contracts with customers for which it provides advertising and referral services. MSAA recognizes the revenue when the advertising is published or the referral is made. Amounts received in advance on these contracts are recorded as deferred revenue (contract liability). The services are billed monthly. The contract performance obligation is recognized at the point in time the advertising is published or the referral is made.

MSAA has contracts with customers for which it provides consulting services. MSAA recognizes the revenue as the services are performed as outlined in the contract during the contract year. Amounts received in advance on these contracts are recorded as deferred revenue (contract liability). These services are billed at various points in time based on the contract agreement. The contract performance obligations are met over the contract period and therefore, revenue from contracts is recognized over time.

Revenue from contracts recognized over time was \$107,932 and \$8,075 for the years ended June 30, 2020 and 2019, respectively. Revenue from contracts recognized at a point in time was \$184,831 and \$242,567 for the years ended June 30, 2020 and 2019 respectively. Revenue from contracts recognized at a point in time for the fundraising events was \$22,348 and \$126,046 for the years ended June 30, 2020 and 2019, respectively.

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

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues and Support (Continued)**

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

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.

**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.

**Restricted Cash**

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-18 ("ASU 2016-18"), "Statement of Cash Flows" (Topic 230), for the presentation of restricted cash in the statement of cash flows. ASU 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. A retrospective method of adoption is required under ASU 2016-18. MSAA has elected to adopt ASU 2016-18, effective July 1, 2019, with retrospective application to the 2019 statement of cash flows. Accordingly, the consolidated statements of cash flows present a reconciliation of the changes in cash and cash equivalents and restricted cash. Restricted cash also consists of escrows, replacement reserves, tenant security deposits, and residual receipts.

**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, 2020 and 2019.

**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 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, 2020 and 2019, the pledges were recorded in the accompanying consolidated financial statements, net of an allowance of approximately 15%. 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:

<b>Categories</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	30-40 years
Furniture, fixtures and equipment	5-7 years
Website and software costs	3-15 years

MCAA 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, 2020 and 2019.

**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 \$3,775 and \$1,469 for the years ended June 30, 2020 and 2019, respectively, and is included in amortization expense on the consolidated statements of functional expenses.

**Refundable Advances**

Refundable advances consist of the contribution portion of special event revenues received in advance for events scheduled to take place after June 30, 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

*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.

**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.

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

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2019 amounts have been reclassified to conform to the 2020 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, 2020 and 2019, were as follows:

	2020	2019
Cash and cash equivalents	\$ 1,852,140	\$ 2,055,866
Pledges receivable	58,890	152,176
Grants receivable	146,476	152,159
Investments	3,433,017	2,796,910
<b>Total financial assets available within one year</b>	<b>5,490,523</b>	<b>5,157,111</b>
Less: amounts unavailable for general expenditures within one year due to donor's restriction with purpose restrictions	(1,994,037)	(2,312,109)
<b>Total financial assets available to meet general expenditures within one year</b>	<b>\$ 3,496,486</b>	<b>\$ 2,845,002</b>

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.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

**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 \$200,233 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, 2020.

**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, and tenant security deposits. As of June 30, 2020 and 2019, restricted cash and cash equivalents of \$63,915 and \$61,762, 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, 2020 and 2019, MSAA's investments at fair value consisted of the following:

	2020	2019
Fixed income	\$ 1,291,788	\$ 807,370
Fixed-income mutual funds	346,109	72,933
Equity securities	699,555	671,953
Equity mutual funds	1,095,565	1,244,654
<b>Total investments</b>	<b>\$ 3,433,017</b>	<b>\$ 2,796,910</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5 - INVESTMENTS (Continued)**

Investment income is summarized as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Realized (losses) gains	\$ (47,501)	\$ 341,350
Unrealized gains (losses)	40,650	(196,274)
Interest and dividends	91,736	101,078
Investment management fees	(22,935)	(22,979)
Investment income, net	\$ 61,950	\$ 223,175

Included in interest and dividends above, and in investment income in the accompanying consolidated statement of activities, is \$9,043 and \$15,759 for the years ended June 30, 2020 and 2019, respectively, of interest income earned on cash and cash equivalents.

**6 - FAIR VALUE MEASUREMENTS**

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. US 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). US 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:

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6 - FAIR VALUE MEASUREMENTS (Continued)**

*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.

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

	Investments at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Fixed income				
Government	\$ -	\$ 73,994	\$ -	\$ 73,994
Corporate	-	794,501	-	794,501
Preferred	-	56,000	-	56,000
Secured	-	38,378	-	38,378
Municipal	-	328,915	-	328,915
Fixed-income mutual funds				
Long-short credit	134,014	-	-	134,014
Alternative fixed income	160,753	-	-	160,753
Emerging markets	51,342	-	-	51,342
Equity securities				
Large cap	568,452	-	-	568,452
Developed International	31,109	-	-	31,109
Alternative equity	99,994	-	-	99,994
Equity mutual funds				
Large cap	607,955	-	-	607,955
Mid cap	83,575	-	-	83,575
Small cap	100,956	-	-	100,956
Developed international	250,060	-	-	250,060
Emerging markets	53,019	-	-	53,019
<b>Total investment assets at fair value</b>	<b>\$ 2,141,229</b>	<b>\$ 1,291,788</b>	<b>\$ -</b>	<b>\$ 3,433,017</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6 - FAIR VALUE MEASUREMENT (Continued)**

	Investments at Fair Value at June 30, 2019			
	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
<b>Total investment assets at fair value</b>	<b>\$ 1,989,540</b>	<b>\$ 807,370</b>	<b>\$ -</b>	<b>\$ 2,796,910</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7 - PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION**

MSAA held the following property and equipment as of June 30, 2020 and 2019:

	2020	2019
Land	\$ 446,858	\$ 446,858
Buildings and improvements	1,830,558	1,799,300
Furniture, fixtures and equipment	213,744	135,865
Website and software costs	402,436	419,925
Total property and equipment	2,893,596	2,801,948
Less: accumulated depreciation and amortization	(863,005)	(751,023)
Property and equipment, net	\$ 2,030,591	\$ 2,050,925

Depreciation and amortization expense was \$111,982 and \$105,889 for the years ended June 30, 2020 and 2019, 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**

The Association has a \$500,000 revolving line of credit with a financial institution that is secured by a second mortgage on the Association's building located in NJ. Interest is charged at the prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively) and expires on March 1, 2021. Interest expense incurred on the line of credit during the years ended June 30, 2020 and 2019, was \$0 and \$34,314, respectively. As of June 30, 2020 and 2019, there is no outstanding balance due on the line of credit.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9 - NOTES PAYABLE**

The Association has a mortgage loan agreement on its property located in NJ with a financial institution. This loan is collateralized by substantially all of the assets of the Association, including 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, 2020 and 2019 was \$962,913 and \$992,824, respectively, and is shown net of unamortized debt issuance costs of \$13,630 and \$17,405 on the statement of financial position as of June 30, 2020 and 2019, respectively. Interest expense incurred on the mortgage note payable was \$49,657 and \$20,079 for the years ended June 30, 2020 and 2019, respectively. The agreement requires the Association to maintain certain financial covenants. The Association was not in compliance with the minimum debt service coverage ratio covenant at June 30, 2020, and has obtained a waiver from the bank.

As a result of COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the “Act”) was signed into law. The Act amends the Small Business Act to include a new guaranteed, unsecured loan program (the “Paycheck Protection Program”). The Association applied for a loan under the Paycheck Protection Program. On April 28, 2020, the loan was approved in the amount of \$436,390. The loan has a term of two years and is subject to interest of 1%. Subject to certain conditions as defined in the Act, up to 100% of the loan may be forgiven. To the extent the loan amount is not forgiven, the Association must make equal monthly payments of principal and interest, beginning December 1, 2020, until the maturity date, May 1, 2022.

Future maturities of the notes payable are as follows:

Year Ending June 30,	
2021	\$ 199,869
2022	302,775
2023	35,691
2024	860,968
	<hr/> \$ 1,399,303 <hr/>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10 - NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, net assets with donor restrictions were restricted for the following purposes or period:

	2020	2019
Subject to expenditure for specified purpose		
Housing*	\$ 934,700	\$ 934,700
Patient services	1,059,337	1,377,409
Total subject to expenditure for specified purposes	\$ 1,994,037	\$ 2,312,109

\*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,	
	2020	2019
Purpose restrictions accomplished	\$ 2,053,755	\$ 1,720,114
Time restrictions expired	-	47,500
	\$ 2,053,755	\$ 1,767,614

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11 - DONATED MEDIA AND SERVICES**

During the years ended June 30, 2020 and 2019, MSAA received \$128,971 and \$112,639, 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, 2020 and 2019, MSAA received donated media totaling \$0 and \$5,758, 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, 2020 and 2019, volunteers contributed approximately 671 and 950 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 US GAAP.

**12 - ALLOCATION OF JOINT COSTS**

For the years ended June 30, 2020 and 2019, 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:

	2020	2019
Fundraising	\$ 1,888,890	\$ 2,005,291
Public education and patient services	725,682	811,400
General and administrative	95,331	101,606
Total	\$ 2,709,903	\$ 2,918,297



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**13 - 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, 2020, MSAA had approximately \$783,000 of uninsured balances.

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 consolidated financial statements.

**14 - 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, 2020 and 2019, MSAA contributed \$55,505 and \$52,368, respectively, to the plan.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15 - 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, 2019, from which the summarized information was derived.

**16 - 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.

**17 - RISKS AND UNCERTAINTIES**

The spread of a novel strain of coronavirus (COVID-19) around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, MSAA is unable to determine if it will have a material impact to its operations.

**18 - SUBSEQUENT EVENTS**

MSAA has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 23, 2020, the date on which the financial statements were available to be issued