

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021  
(WITH SUMMARIZED TOTALS FOR THE  
YEAR ENDED JUNE 30, 2020)**

**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, 2021, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### 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 \$604,613 as of June 30, 2021, and total revenue of \$135,228 for the year then ended (see Note 1 for transfer of ownership). 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.

(Continued)

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, 2021, 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. We did not audit the financial statements of MSAA Jacksonville, which statements reflects total assets of \$627,250 as of June 30, 2020, and total revenue of \$144,034, 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.



Philadelphia, PA

October 7, 2021

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,809,464	\$ 1,852,140
Investments	4,508,053	3,433,017
Grants and other receivables	195,500	146,476
Pledges receivable, net	-	58,890
Prepaid expenses and other assets	199,828	316,446
<b>Total current assets</b>	<b>6,712,845</b>	<b>5,806,969</b>
<b>Restricted cash</b>	<b>-</b>	<b>63,915</b>
<b>Property and equipment, net</b>	<b>1,210,063</b>	<b>2,030,591</b>
<b>Total assets</b>	<b>\$ 7,922,908</b>	<b>\$ 7,901,475</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Note payable, current portion	\$ 35,967	\$ 199,869
Accounts payable and accrued expenses	432,895	739,697
Deferred revenues	1,750	47,489
Refundable advances	-	141,086
<b>Total current liabilities</b>	<b>470,612</b>	<b>1,128,141</b>
<b>Long-term liabilities</b>		
Note payable, net of current portion	879,923	1,185,804
Tenant security deposits	-	2,885
<b>Total liabilities</b>	<b>1,350,535</b>	<b>2,316,830</b>
<b>Commitments and Contingencies</b>		
<b>Net assets</b>		
Without donor restrictions		
General - Association	5,454,259	3,906,545
General - Affiliate	-	(315,937)
	5,454,259	3,590,608
With donor restrictions	1,118,114	1,994,037
<b>Total net assets</b>	<b>6,572,373</b>	<b>5,584,645</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,922,908</b>	<b>\$ 7,901,475</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,			2020
	2021			Summarized
	Without donor restrictions	With donor restrictions	Total	Total
<b>Revenues and support</b>				
Contributions	\$ 5,361,335	\$ -	\$ 5,361,335	\$ 5,057,414
Grants and bequests	241,619	1,788,210	2,029,829	2,285,977
Rental income	120,374	-	120,374	143,797
Special events, net of direct donor benefit costs of \$154,209 in 2021 and \$32,974 in 2020	684,058	-	684,058	190,049
Investment income, net	695,952	-	695,952	61,950
Miscellaneous income	296,004	-	296,004	292,848
Contribution, forgiveness of debt	436,390	-	436,390	-
Government grants	178,634	-	178,634	-
Net assets released from restrictions	1,729,433	(1,729,433)	-	-
<b>Total revenues and support</b>	<b>9,743,799</b>	<b>58,777</b>	<b>9,802,576</b>	<b>8,032,035</b>
<b>Expenses</b>				
Program services				
Public education and patient services	4,501,534	-	4,501,534	4,515,509
Housing	133,010	-	133,010	160,791
<b>Total program services</b>	<b>4,634,544</b>	<b>-</b>	<b>4,634,544</b>	<b>4,676,300</b>
Supporting services				
Fundraising	2,452,030	-	2,452,030	2,633,870
General and administrative	1,122,119	-	1,122,119	892,136
<b>Total supporting services</b>	<b>3,574,149</b>	<b>-</b>	<b>3,574,149</b>	<b>3,526,006</b>
<b>Total expenses</b>	<b>8,208,693</b>	<b>-</b>	<b>8,208,693</b>	<b>8,202,306</b>
 Change in net assets from operations	 1,535,106	 58,777	 1,593,883	 (170,271)
Donated media revenue	166,675	-	166,675	128,971
Donated media expenses	(166,675)	-	(166,675)	(128,971)
 Change in net assets before transfer of MSAA Jacksonville to a new sponsor	 1,535,106	 58,777	 1,593,883	 (170,271)
 Transfer of net assets of MSAA Jacksonville to a new sponsor	 328,545	 (934,700)	 (606,155)	 -
 Change in net assets	 1,863,651	 (875,923)	 987,728	 (170,271)
Net assets, beginning of year	3,590,608	1,994,037	5,584,645	5,754,916
<b>Net assets, end of year</b>	<b>\$ 5,454,259</b>	<b>\$ 1,118,114</b>	<b>\$ 6,572,373</b>	<b>\$ 5,584,645</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			2021 Total	2020 Summarized Total
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Salaries and wages	\$ 1,102,004	\$ 35,477	\$ 1,137,481	\$ 205,889	\$ 598,211	\$ 804,100	\$ 1,941,581	\$ 1,921,078
Postage, printing and mailing costs	602,426	-	602,426	1,214,923	86,474	1,301,397	1,903,823	1,881,697
Patient assistance	1,630,929	-	1,630,929	-	-	-	1,630,929	1,762,255
Contract services	193,988	-	193,988	737,844	25,651	763,495	957,483	1,160,064
Payroll taxes and fringe benefits	303,903	5,415	309,318	49,845	142,720	192,565	501,883	572,129
Depreciation and amortization	197,765	22,369	220,134	44,058	112,406	156,464	376,598	115,756
Professional fees and counseling	207,344	22,480	229,824	14,974	45,104	60,078	289,902	259,597
Computer expense and list costs	119,993	-	119,993	11,903	27,364	39,267	159,260	162,938
Special events	-	-	-	138,524	-	138,524	138,524	32,195
Occupancy	21,918	44,249	66,167	3,209	7,751	10,960	77,127	66,913
Bank fees	32,666	-	32,666	6,449	14,826	21,275	53,941	50,963
Interest	25,670	-	25,670	5,068	11,651	16,719	42,389	50,383
Miscellaneous	36,201	414	36,615	14,632	4,230	18,862	55,477	65,222
Office supplies and expenses	24,236	2,606	26,842	4,429	10,182	14,611	41,453	61,635
Bad debt expense	-	-	-	-	34,897	34,897	34,897	-
Travel	2,491	-	2,491	283	652	935	3,426	39,481
Total expenses excluding donated media	4,501,534	133,010	4,634,544	2,452,030	1,122,119	3,574,149	8,208,693	8,202,306
Donated media expenses	166,675	-	166,675	-	-	-	166,675	128,971
Total expenses	\$ 4,668,209	\$ 133,010	\$ 4,801,219	\$ 2,452,030	\$ 1,122,119	\$ 3,574,149	\$ 8,375,368	\$ 8,331,277

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>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 987,728	\$ (170,271)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	376,598	115,756
Bad debt expense	34,897	-
Loss on disposal of property	2,755	-
Contribution, forgiveness of debt	(436,390)	-
Contributed securities	(5,321)	(12,605)
Net realized and unrealized gains on investments	(557,465)	(6,851)
Net assets of property transferred to a new sponsor	606,155	-
Changes in operating assets and liabilities		
Grants and other receivables	(49,024)	5,683
Pledges receivable	23,993	93,286
Prepaid expenses and other assets	116,618	(108,041)
Accounts payable and accrued expenses	(306,802)	34,689
Tenant security deposits	(2,885)	(488)
Deferred revenues	(45,739)	8,002
Refundable advances	(141,086)	141,086
<b>Net cash provided by operating activities</b>	<b>604,032</b>	<b>100,246</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(6,598,901)	(2,813,526)
Proceeds from sales of investments	6,086,651	2,196,876
Cash of housing property transferred to a new sponsor	(88,732)	-
Purchases of property and equipment	(72,475)	(91,648)
<b>Net cash used in investing activities</b>	<b>(673,457)</b>	<b>(708,298)</b>
<b>Cash flows from financing activities</b>		
Borrowings from note payable	-	436,390
Acquisition of debt issuance costs	(4,006)	-
Repayments on note payable	(33,160)	(29,911)
<b>Net cash (used in) provided by financing activities</b>	<b>(37,166)</b>	<b>406,479</b>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(106,591)</b>	<b>(201,573)</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>1,916,055</b>	<b>2,117,628</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 1,809,464</b>	<b>\$ 1,916,055</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash, beginning 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, beginning of year</b>	<b>\$ 1,916,055</b>	<b>\$ 2,117,628</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash, end of year</b>		
Cash and cash equivalents	\$ 1,809,464	\$ 1,852,140
Tenant security deposits	-	2,885
Replacement reserve	-	58,020
Residual receipts	-	3,010
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$ 1,809,464</b>	<b>\$ 1,916,055</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 42,389	\$ 49,782

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.

In August 2021, HUD approved MSAA’s request to transfer the building owned by MSAA Jacksonville, a former affiliate, to another sponsor. MSAA continued to manage the property until it was transferred to the new sponsor, and the members of MSAA’s Board of Directors who served on the Board of Directors of MSAA Jacksonville resigned effective April 30, 2021. Effective May 1, 2021, MSAA Jacksonville’s activities were no longer included in the consolidated financial statements of the Association, as the Association no longer controlled MSAA Jacksonville. The following table represents the assets transferred as of May 1, 2021:

Assets transferred:	
Cash and restricted cash	\$ 88,732
Prepaid expenses and other assets	15,930
Property and equipment	517,424
<u>Total assets transferred</u>	<u>622,086</u>
Liabilities transferred:	
Accounts payable and accrued expenses	(12,876)
Tenant security deposits	(3,055)
<u>Total liabilities transferred</u>	<u>(15,931)</u>
<u>Net assets transferred</u>	<u>606,155</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**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 (“U.S. 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 consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenues and Support**

*Contributions and Grants* – MSAA recognizes revenue from contributions in accordance with ASU 2018-08, *Not-for-Profit Entities– Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), 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 consolidated statement of activities as net assets released from restrictions.

*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, 2021 and 2020, deferred revenue amounted to \$0 and \$47,489, respectively. Expenses incurred in connection with an event that provide direct benefit to the donors are charged against the revenue earned from the event.

**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)**

*Miscellaneous Income* – MSAA recognizes revenue from contracts with customers in accordance with ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“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.

*Miscellaneous Income (Continued)* – 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 \$81,593 and \$107,932 for the years ended June 30, 2021 and 2020, respectively. Revenue from contracts recognized at a point in time was \$214,411 and \$184,831 for the years ended June 30, 2021 and 2020 respectively. Revenue from contracts recognized at a point in time for the fundraising events was \$144,197 and \$22,348 for the years ended June 30, 2021 and 2020, respectively.

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

**Measure of Operations**

MSAA includes in its measure of operations all revenues 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)**

**Restricted Cash**

MCAA presents restricted cash in accordance with 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 year 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-year and end-of year total amounts shown on the consolidated 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.

**Investments**

Investments in fixed income instruments, mutual funds and equity securities with readily determinable fair values are measured at fair value in the consolidated 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. MCAA’s management has determined that these receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2021 and 2020.

**Pledges Receivable**

MCAA reports unconditional promises to give as contribution revenue at their estimated net realizable value on the date of donation. 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 MCAA’s experience with these revenue sources. For the year ended June 30, 2020, the pledges were recorded in the accompanying consolidated financial statements, net of an allowance of approximately 15%. There were no pledges receivable as of June 30, 2021.

**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**

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.

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, 2021 and 2020.

**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 for each of the years ended June 30, 2021 and 2020, 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 year end.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.  
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**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 consolidated 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.

**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, 2021 and 2020, were as follows:

	2021	2020
Cash and cash equivalents	\$ 1,809,464	\$ 1,852,140
Pledges receivable	-	58,890
Grants and other receivables	195,500	146,476
<u>Investments</u>	<u>4,508,053</u>	<u>3,433,017</u>
<u>Total financial assets available within one year</u>	<u>6,513,017</u>	<u>5,490,523</u>
Less: amounts unavailable for general expenditures within one year due to donor's restriction with purpose restrictions	(1,118,114)	(1,994,037)
<u>Total financial assets available to meet general expenditures within one year</u>	<u>\$ 5,394,903</u>	<u>\$ 3,496,486</u>

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.

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.  
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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 \$219,435 in short-term liquid funds, and approximately 70% equity and 30% fixed income. 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, 2021.

**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, 2021 and 2020, restricted cash and cash equivalents of \$0 and \$63,915, 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, 2021 and 2020, MSAA's investments at fair value consisted of the following:

	2021	2020
Fixed income securities	\$ 760,256	\$ 1,291,788
Fixed-income mutual funds	676,934	346,109
Equity securities	1,152,190	699,555
Equity mutual funds	1,918,673	1,095,565
<b>Total investments</b>	<b>\$ 4,508,053</b>	<b>\$ 3,433,017</b>



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**5 - INVESTMENTS (Continued)**

Investment income is summarized as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Realized losses	\$ (53,502)	\$ (47,501)
Unrealized gains	610,967	40,650
Interest and dividends	166,410	91,736
Investment management fees	(27,923)	(22,935)
Investment income, net	\$ 695,952	\$ 61,950

Included in interest and dividends above, and in investment income in the accompanying consolidated statement of activities, is \$7,007 and \$9,043 for the years ended June 30, 2021 and 2020, respectively, of interest income earned on cash and cash equivalents.

**6 - FAIR VALUE MEASUREMENTS**

U.S. GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. U.S. 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). U.S. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

*Equity securities and mutual funds (Continued)* – The common stocks and mutual funds held by the MSAA are deemed to be actively traded.

*Fixed income securities* - 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, 2021			
	Level 1	Level 2	Level 3	Total
<b>Fixed income securities</b>				
Government	\$ -	\$ 72,817	\$ -	\$ 72,817
Corporate	-	499,463	-	499,463
Preferred	-	20,933	-	20,933
Secured	-	63,012	-	63,012
Municipal	-	104,031	-	104,031
<b>Fixed-income mutual funds</b>				
Long-short credit	408,870	-	-	408,870
Alternative fixed income	219,110	-	-	219,110
Emerging markets	48,953	-	-	48,953
<b>Equity securities</b>				
Large cap	862,437	-	-	862,437
Developed International	59,684	-	-	59,684
Alternative equity	225,592	-	-	225,592
Mid Cap	4,477	-	-	4,477
<b>Equity mutual funds</b>				
Large cap	941,967	-	-	941,967
Mid cap	133,290	-	-	133,290
Small cap	224,529	-	-	224,529
Developed international	461,459	-	-	461,459
Emerging markets	157,429	-	-	157,429
<b>Total investment assets at fair value</b>	<b>\$ 3,747,797</b>	<b>\$ 760,256</b>	<b>\$ -</b>	<b>\$ 4,508,053</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

	Investments at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Fixed income securities				
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>

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.  
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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, 2021 and 2020:

	2021	2020
Land	\$ 403,000	\$ 446,858
Buildings and improvements	820,198	1,830,558
Furniture, fixtures and equipment	226,690	213,744
Website and software costs	432,436	402,436
Total property and equipment	1,882,324	2,893,596
Less: accumulated depreciation and amortization	(672,261)	(863,005)
Property and equipment, net	\$ 1,210,063	\$ 2,030,591

Depreciation and amortization expense was \$372,823 and \$111,982 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, MSAA disposed of equipment with an original cost basis of \$5,389 and accumulated depreciation of \$2,634 for a loss of \$2,755. Due to the transfer of sponsorship during the year ended June 30, 2021, land, building and equipment with an original cost basis of \$1,078,358 and accumulated depreciation of \$560,934 are no longer reflected in the consolidated financial statements.

**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% at June 30, 2021 and 2020, respectively) and expires on March 1, 2022. Interest expense incurred on the line of credit during the years ended June 30, 2021 and 2020 was \$0. As of June 30, 2021 and 2020, there is no outstanding balance due on the line of credit.

**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 \$6,204 through March 1, 2024 including interest of 4.15% (5% prior to November 25, 2020) per annum, at which time a balloon payment is due for the remaining outstanding principal.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9 - NOTES PAYABLE (Continued)**

The balance outstanding as of June 30, 2021 and 2020 was \$929,752 and \$962,913, respectively, and is shown net of unamortized debt issuance costs of \$13,861 and \$13,630 on the consolidated statement of financial position as of June 30, 2021 and 2020, respectively. Interest expense incurred on the mortgage note payable was \$43,115 and \$49,657 for the years ended June 30, 2021 and 2020, respectively.

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” of “PPP”). 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, which was subject to forgiveness under the Paycheck Protection Program upon MSAA’s request to the extent that the PPP Loans proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent, and covered utility payments incurred by MSAA. In March 2021, The principal and accrued interest of the PPP loan was forgiven in full and MSAA recorded a contribution – forgiveness of debt in the amount of \$436,390.

Future maturities of the notes payable are as follows:

Year Ending June 30,		
2022	\$	36,569
2023		38,115
2024		855,068
	\$	929,752

**10 - NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2021 and 2020, net assets with donor restrictions were restricted for the following purposes or period:

	2021	2020
Subject to expenditure for specified purpose		
Housing*	\$ -	\$ 934,700
Patient services	1,118,114	1,059,337
Total subject to expenditure for specified purposes	\$ 1,118,114	\$ 1,994,037

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

\*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. Due to the transfer of sponsorship during the year ended June 30, 2021, this is no longer reflected in the consolidated net assets.

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,	
	2021	2020
Purpose restrictions accomplished	\$ 1,729,433	\$ 2,053,755

**11 - DONATED MEDIA AND SERVICES**

During the years ended June 30, 2021 and 2020, MSAA received \$166,675 and \$128,971, 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.

MSAA's programs are also furthered through the contribution of time by unpaid volunteers. In the years ended June 30, 2021 and 2020, volunteers contributed approximately 378 and 671 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 U.S. GAAP.

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**12 - ALLOCATION OF JOINT COSTS**

For the years ended June 30, 2021 and 2020, 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:

	2021	2020
Fundraising	\$ 1,635,176	\$ 1,888,890
Public education and patient services	797,028	725,682
General and administrative	113,687	95,331
Total	\$ 2,545,891	\$ 2,709,903

**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, 2021, MSAA had approximately \$940,000 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.

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**NOTES TO 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, 2021 and 2020, MSAA contributed \$54,813 and \$55,505, respectively, to the plan.

**15 - CARES ACT**

The employee retention credit provides employers a refundable federal tax credit equal to 50% of the first \$10,000 of qualified wages and benefits paid to employees. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. MSAA determined that the conditions to qualify for the employee retention credit have been substantially met as of March 31, 2021. MSAA received \$178,634 and recorded government grant income for the employee retention credits totaling \$178,634 for the year ended June 30, 2021.

**16 - 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, 2020, from which the summarized information was derived.

**17 - 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.



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**17 - UNCERTAIN TAX POSITIONS (Continued)**

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 consolidated financial statements.

**18 - 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 future operations.

**19 - SUBSEQUENT EVENTS**

MSAA has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 7, 2021, the date on which the consolidated financial statements were available to be issued.