

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Multiple Sclerosis Association of America, Inc. ("MSAA" or the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MSAA as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MSAA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of MSAA as of and for the year ended June 30, 2022, were audited by Friedman LLP whose practice was combined with Marcum LLP as of September 1, 2022, and whose report dated October 18, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MSAA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MSAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MSAA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marcum LLP

Philadelphia, Pennsylvania
September 26, 2023

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,393,532	\$ 2,256,111
Investments	5,525,200	4,248,564
Grants and other receivables	164,892	103,361
Prepaid expenses and other assets	167,215	202,759
Total Current Assets	7,250,839	6,810,795
Property and Equipment, Net	1,073,235	1,145,235
Total Assets	\$ 8,324,074	\$ 7,956,030
Liabilities and Net Assets		
Current Liabilities		
Note payable, current portion	\$ 849,906	\$ 37,512
Accounts payable and accrued expenses	683,844	530,718
Refundable advances	66,461	47,143
Total Current Liabilities	1,600,211	615,373
Long-Term Liabilities		
Security deposit	25,181	--
Note payable, net of current portion	--	846,158
Total Liabilities	1,625,392	1,461,531
Commitments and Contingencies		
Net Assets		
Without donor restrictions	4,554,069	5,243,875
With donor restrictions	2,144,613	1,250,624
Total Net Assets	6,698,682	6,494,499
Total Liabilities and Net Assets	\$ 8,324,074	\$ 7,956,030

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 4,503,376	\$ --	\$ 4,503,376
Grants and bequests	354,533	2,549,042	2,903,575
Special events	969,849	--	969,849
Investment gain, net	345,591	--	345,591
Miscellaneous income	168,825	--	168,825
Net assets released from restrictions	<u>1,655,053</u>	<u>(1,655,053)</u>	<u>--</u>
Total Revenues and Support	<u>7,997,227</u>	<u>893,989</u>	<u>8,891,216</u>
Expenses			
Program Services			
Public education and patient services	<u>4,793,258</u>	<u>--</u>	<u>4,793,258</u>
Total Program Services	<u>4,793,258</u>	<u>--</u>	<u>4,793,258</u>
Supporting Services			
Fundraising	2,717,822	--	2,717,822
General and administrative	<u>1,175,953</u>	<u>--</u>	<u>1,175,953</u>
Total Supporting Services	<u>3,893,775</u>	<u>--</u>	<u>3,893,775</u>
Total Expenses	<u>8,687,033</u>	<u>--</u>	<u>8,687,033</u>
Change in Net Assets From Operations	(689,806)	893,989	204,183
Donated media revenue	129,940	--	129,940
Donated media expenses	<u>(129,940)</u>	<u>--</u>	<u>(129,940)</u>
Change in Net Assets	(689,806)	893,989	204,183
Net Assets, Beginning of Year	<u>5,243,875</u>	<u>1,250,624</u>	<u>6,494,499</u>
Net Assets, End of Year	<u>\$ 4,554,069</u>	<u>\$ 2,144,613</u>	<u>\$ 6,698,682</u>

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 5,618,711	\$ --	\$ 5,618,711
Grants and bequests	528,812	1,999,521	2,528,333
Special events	708,845	--	708,845
Investment loss, net	(656,267)	--	(656,267)
Miscellaneous income	196,952	--	196,952
Net assets released from restrictions	<u>1,867,011</u>	<u>(1,867,011)</u>	<u>--</u>
Total Revenues and Support	<u>8,264,064</u>	<u>132,510</u>	<u>8,396,574</u>
Expenses			
Program Services			
Public education and patient services	<u>4,800,263</u>	<u>--</u>	<u>4,800,263</u>
Total Program Services	<u>4,800,263</u>	<u>--</u>	<u>4,800,263</u>
Supporting Services			
Fundraising	2,614,290	--	2,614,290
General and administrative	<u>1,059,895</u>	<u>--</u>	<u>1,059,895</u>
Total Supporting Services	<u>3,674,185</u>	<u>--</u>	<u>3,674,185</u>
Total Expenses	<u>8,474,448</u>	<u>--</u>	<u>8,474,448</u>
Change in Net Assets From Operations	(210,384)	132,510	(77,874)
Donated media revenue	124,834	--	124,834
Donated media expenses	<u>(124,834)</u>	<u>--</u>	<u>(124,834)</u>
Change in Net Assets	(210,384)	132,510	(77,874)
Net Assets, Beginning of Year	<u>5,454,259</u>	<u>1,118,114</u>	<u>6,572,373</u>
Net Assets, End of Year	<u>\$ 5,243,875</u>	<u>\$ 1,250,624</u>	<u>\$ 6,494,499</u>

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services		Supporting Services		
	Public Education and Patient Services	Fundraising	General and Administrative	Total Supporting Services	Total
Salaries and wages	\$ 1,329,532	\$ 213,995	\$ 721,722	\$ 935,717	\$ 2,265,249
Postage, printing and mailing costs	453,581	1,383,197	70,801	1,453,998	1,907,579
Patient assistance	1,757,240	--	--	--	1,757,240
Contract services	116,754	597,195	18,892	616,087	732,841
Payroll taxes and fringe benefits	367,567	49,731	216,775	266,506	634,073
Special events	--	403,561	--	403,561	403,561
Professional fees and counseling	324,887	13,119	30,000	43,119	368,006
Travel	133,023	6,640	15,186	21,826	154,849
Computer expense and list costs	89,917	11,953	27,334	39,287	129,204
Depreciation and amortization	46,267	6,482	23,026	29,508	75,775
Bank fees	47,691	7,399	16,922	24,321	72,012
Office supplies and expenses	34,379	5,138	11,750	16,888	51,267
Licenses and fees	27,100	10,562	1,877	12,439	39,539
Interest	24,359	3,779	8,643	12,422	36,781
Occupancy	23,751	2,967	8,212	11,179	34,930
Miscellaneous	17,210	2,104	4,813	6,917	24,127
Total Expenses Excluding Donated Media	<u>4,793,258</u>	<u>2,717,822</u>	<u>1,175,953</u>	<u>3,893,775</u>	<u>8,687,033</u>
Donated media expenses	129,940	--	--	--	129,940
Total Expenses	<u>\$ 4,923,198</u>	<u>\$ 2,717,822</u>	<u>\$ 1,175,953</u>	<u>\$ 3,893,775</u>	<u>\$ 8,816,973</u>

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services		
	Public Education and Patient Services	Fundraising	General and Administrative	Total Supporting Services	Total
Postage, printing and mailing costs	\$ 645,848	\$ 1,363,730	\$ 98,488	\$ 1,462,218	\$ 2,108,066
Salaries and wages	1,167,078	147,373	561,624	708,997	1,876,075
Patient assistance	1,748,599	--	--	--	1,748,599
Contract services	162,481	668,873	24,997	693,870	856,351
Payroll taxes and fringe benefits	327,361	36,063	142,390	178,453	505,814
Professional fees and counseling	295,268	19,941	64,230	84,171	379,439
Special events	--	317,632	--	317,632	317,632
Computer expense and list costs	181,086	25,010	80,560	105,570	286,656
Travel	66,646	3,497	11,263	14,760	81,406
Depreciation and amortization	52,436	5,699	21,968	27,667	80,103
Miscellaneous	43,506	12,185	8,406	20,591	64,097
Bank fees	38,627	5,394	17,376	22,770	61,397
Interest	24,114	3,368	10,847	14,215	38,329
Office supplies and expenses	24,739	3,172	10,219	13,391	38,130
Occupancy	22,474	2,353	7,527	9,880	32,354
Total Expenses Excluding Donated Media	<u>4,800,263</u>	<u>2,614,290</u>	<u>1,059,895</u>	<u>3,674,185</u>	<u>8,474,448</u>
Donated media expenses	124,834	--	--	--	124,834
Total Expenses	<u>\$ 4,925,097</u>	<u>\$ 2,614,290</u>	<u>\$ 1,059,895</u>	<u>\$ 3,674,185</u>	<u>\$ 8,599,282</u>

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 204,183	\$ (77,874)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	129,204	80,103
Contributed securities	(250)	(113,573)
Net realized and unrealized (gain) loss on investments	(235,140)	773,500
Changes in operating assets and liabilities		
Grants and other receivables	(61,531)	92,139
Prepaid expenses and other assets	35,544	(2,931)
Accounts payable and accrued expenses	153,126	97,822
Refundable advances	19,318	45,393
Security deposit	25,181	--
Net Cash Provided by Operating Activities	269,635	894,579
Cash Flows From Investing Activities		
Purchase of investments	(6,134,104)	(3,104,420)
Proceeds from sales of investments	5,092,858	2,703,983
Purchases of property and equipment	--	(11,500)
Net Cash Used in Investing Activities	(1,041,246)	(411,937)
Cash Flows From Financing Activities		
Repayments on note payable	(37,539)	(35,995)
Net Cash Used in Financing Activities	(37,539)	(35,995)
Net (Decrease) Increase in Cash and Cash Equivalents	(809,150)	446,647
Cash and Cash Equivalents, Beginning of Year	2,256,111	1,809,464
Cash and Cash Equivalents, End of Year	\$ 1,446,961	\$ 2,256,111
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 36,781	\$ 38,329

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

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - NATURE OF ORGANIZATION

ORGANIZATION AND NATURE OF ACTIVITIES

The Multiple Sclerosis Association of America, Inc. (“MSAA” or “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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

USE OF ESTIMATES

The preparation of 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 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 *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 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.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUES AND SUPPORT (CONTINUED)

Contributions and Grants (continued)

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.

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. Contribution and exchange revenue from fundraising events was approximately \$623,000 and \$346,000, respectively, for the year ended June 30, 2023 and \$451,000 and \$258,000 for the year ended June 30, 2022. Deferred revenue and refundable advances amounted to \$66,461, \$47,143 and \$1,750 as of June 30, 2023, 2022 and 2021, 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

MSAA recognizes revenue from contracts with customers in accordance with *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. 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.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUES AND SUPPORT (CONTINUED)

Miscellaneous Income (continued)

Revenue from contracts recognized over time was \$79,464 and \$66,397 for the years ended June 30, 2023 and 2022, respectively. Revenue from contracts (exchange transactions) recognized at a point in time was \$89,361 and \$130,555 for the years ended June 30, 2023 and 2022, respectively. Revenue from contracts recognized at a point in time for the fundraising events was \$144,102 and \$135,256 for the years ended June 30, 2023 and 2022, respectively.

Grants and other receivables was \$164,892, \$103,361 and \$195,500 as of June 30, 2023, 2022 and 2021, respectively.

MEASURE OF OPERATIONS

MSAA includes in its measure of operations all revenues and expenses from contributions, grants and bequests, 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.

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, 2023 and 2022.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 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 statements of activities and changes in net assets. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

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

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

MSAA reviews long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the years ended June 30, 2023 and 2022.

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, 2023 and 2022, and is included in amortization expense on the statements of functional expenses.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

During the years ended June 30, 2023 and 2022, MSAA received in-kind contributions consisting of donated media. Donated media is reflected as revenue and expense in the accompanying statements of activities and changes in net assets 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. For the years ended June 30, 2023 and 2022, in-kind contributions consisted of \$129,940 and \$124,834 of donated media, respectively. There were no donor restrictions related to the in-kind contributions and MSAA does not sell the in-kind contributions.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

Effective July 1, 2022, MSAA adopted FASB ASC 842, *Leases* (ASC 842). MSAA determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. MSAA elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. MSAA elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, MSAA will not recognize right-of-use assets or lease liabilities on the statements of financial position. MSAA generally does not have access to the rate implicit in the lease, and therefore MSAA utilizes a risk-free rate as the discount rate.

The adoption of ASC 842 did not have a material impact on MSAA's results of operations and cash flows. There are no long-term leases over 12 month period as of June 30, 2023. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements 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 campaigns are allocated based on the line counts of the direct mail pieces. All other shared costs are allocated based on a time study, which is done twice a year.

INCOME TAXES

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3), and is exempt from state income taxes. The Organization is not a private foundation. MSAA is subject to income tax on unrelated business income (see Note 14).

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 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 statements of financial position date for general expenditures are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 1,393,532	\$ 2,256,111
Investments	5,525,200	4,248,564
Grants and other receivables	<u>164,892</u>	<u>103,361</u>
Total Financial Assets Available Within One Year	7,083,624	6,608,036
Less: Amounts unavailable for general expenditures within one year due to donors' restrictions with purpose restrictions	<u>(2,144,613)</u>	<u>(1,250,624)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,939,011</u>	<u>\$ 5,357,412</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 excluded in the above qualitative information for financial assets to meet general expenditures within one year.

LIQUIDITY MANAGEMENT

MSAA has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of MSAA throughout the year. This is done through monitoring and reviewing MSAA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of MSAA's cash flow related to MSAA's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs or to support organizational initiatives. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including \$254,732 in short-term liquid funds, and approximately 60% equity and 40% 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, 2023.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - INVESTMENTS

Investment gain and loss is summarized as follows for the years ended June 30, 2023 and 2022:

	June 30,	
	2023	2022
Realized loss	\$ (77,598)	\$ (128,191)
Unrealized gain (loss)	312,738	(645,309)
Interest and dividends	141,630	150,438
Investment management fees	<u>(31,179)</u>	<u>(33,205)</u>
Investment Gain (Loss), Net	<u>\$ 345,591</u>	<u>\$ (656,267)</u>

Included in interest and dividends above, and in investment income in the accompanying statements of activities is \$7,146 and \$4,765 for the years ended June 30, 2023 and 2022, respectively, of interest income earned on cash and cash equivalents.

NOTE 5 - 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.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

EQUITY SECURITIES AND MUTUAL FUNDS

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

FIXED INCOME 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 60% equity and 40% fixed income.

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

	Investments at Fair Value at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ --	\$ 2,413,395	\$ --	\$ 2,413,395
Fixed-income mutual funds	70,383	--	--	70,383
Equity securities	1,097,527	--	--	1,097,527
Mutual funds	<u>1,943,895</u>	<u>--</u>	<u>--</u>	<u>1,943,895</u>
Total Investment Assets at Fair Value	<u>\$ 3,111,805</u>	<u>\$ 2,413,395</u>	<u>\$ --</u>	<u>\$ 5,525,200</u>
	Investments at Fair Value at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ --	\$ 932,306	\$ --	\$ 932,306
Fixed-income mutual funds	334,849	--	--	334,849
Equity securities	884,410	--	--	884,410
Mutual funds	<u>2,096,999</u>	<u>--</u>	<u>--</u>	<u>2,096,999</u>
Total Investment Assets at Fair Value	<u>\$ 3,316,258</u>	<u>\$ 932,306</u>	<u>\$ --</u>	<u>\$ 4,248,564</u>

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

MCAA held the following property and equipment, net as of June 30, 2023 and 2022:

	June 30,	
	2023	2022
Land	\$ 403,000	\$ 403,000
Buildings and improvements	820,198	820,198
Furniture, fixtures and equipment	238,190	238,190
Website and software costs	<u>105,020</u>	<u>105,020</u>
Total Property and Equipment	1,566,408	1,566,408
Less: Accumulated depreciation and amortization	<u>(493,173)</u>	<u>(421,173)</u>
Property and Equipment, Net	<u>\$ 1,073,235</u>	<u>\$ 1,145,235</u>

Depreciation and amortization expense related to property and equipment was \$72,000 and \$76,328 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - LINE OF CREDIT

MCAA has a \$500,000 revolving line of credit with a financial institution that is secured by a second mortgage on MCAA's building located in New Jersey. Interest is charged at the prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively), and expires on March 1, 2024. Interest expense incurred on the line of credit during the years ended June 30, 2023 and 2022 was \$-0-. As of June 30, 2023 and 2022, there is no outstanding balance due on the line of credit.

NOTE 8 - NOTE PAYABLE

MCAA 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 MCAA, 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% per annum, at which time a balloon payment is due for the remaining outstanding principal.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - NOTE PAYABLE (CONTINUED)

The balance outstanding as of June 30, 2023 and 2022 was \$849,906 and \$883,670, respectively, and is shown net of unamortized debt issuance costs of \$6,312 and \$10,087 on the statements of financial position as of June 30, 2023 and 2022, respectively. Interest expense incurred on the mortgage note payable was \$36,781 and \$38,329 for the years ended June 30, 2023 and 2022, respectively.

The mortgage loan agreement includes certain financial covenants including covenants to maintain minimum liquidity and a minimum debt service coverage ratio. MSAA was not in compliance with the minimum debt service coverage ratio as of June 30, 2023 and 2022; however, MSAA received a waiver from the bank for each of the years.

Future maturities of the notes payable are as follows:

Year Ending June 30,	Amount
2024	\$ 856,218

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, net assets with donor restrictions were restricted for the following purposes or period:

	June 30,	
	2023	2022
Subject to expenditure for specified purpose		
Patient services	\$ 2,144,613	\$ 1,250,624

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,	
	2023	2022
Purpose restrictions accomplished	\$ 1,655,053	\$ 1,867,011

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 - DONATED MEDIA AND SERVICES

During the years ended June 30, 2023 and 2022, MSAA received \$129,940 and \$124,834, 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 statements of functional expenses.

MSAA's programs are also furthered through the contribution of time by unpaid volunteers. In the years ended June 30, 2023 and 2022, volunteers contributed approximately 724 and 343 hours to MSAA's program services, respectively. These donated services are not reflected in the accompanying statements of activities and changes in net assets because they do not meet the necessary criteria for recognition under U.S. GAAP.

NOTE 11 - ALLOCATION OF JOINT COSTS

For the years ended June 30, 2023 and 2022, MSAA incurred joint costs for direct mail campaigns 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 statements of functional expenses. These joint costs are allocated as follows:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Fundraising	\$ 1,762,772	\$ 1,721,369
Public education and patient services	554,234	798,963
General and administrative	<u>89,680</u>	<u>120,248</u>
Total	<u>\$ 2,406,686</u>	<u>\$ 2,640,580</u>

NOTE 12 - 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, 2023, MSAA had approximately \$595,000 of uninsured balances.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 12 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

A significant portion of MSAA's assets are invested in investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the financial statements.

NOTE 13 - 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, 2023 and 2022, MSAA contributed \$62,427 and \$54,121 to the plan, respectively.

NOTE 14 - UNCERTAIN TAX POSITIONS AND UNRELATED BUSINESS INCOME AND INCOME TAXES

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 in filed income tax returns that require recognition or disclosure in the MSAA's financial statements. There are currently no examinations pending or in process. MSAA engaged in certain activities that did not contribute directly to its exempt purposes. Under the Internal Revenue Code, a corporate income tax is imposed on the net income generated by these unrelated business activities. The tax on unrelated business income was \$441 and \$2,541 for the years ended June 30, 2023 and 2022, respectively.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 15 - CONDITIONAL RESEARCH COLLABORATIVE CONTRIBUTION

During the year ended June 30, 2023 and in conjunction with a research collaboration project, MSAA received a conditional contribution agreement in the amount not to exceed \$21,334,881. This contribution will provide funding for the project for up to 3 years. Payments to MSAA are subject to achieving specific milestones as outlined in the agreement, unspent funds are to be returned to the funder and the funder has the right to cancel the agreement after the first year. The contribution is conditional and will be recorded as revenue upon MSAA meeting the required milestones. For the year ended June 30, 2023, \$1,421,542 of revenue was received and recognized in accordance with the agreement provisions.

NOTE 16 - SUBSEQUENT EVENTS

MSAA has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 26, 2023, the date on which the financial statements were available to be issued.

MSAA entered into a lease agreement with a tenant commencing July 1, 2023, which includes an option to purchase the land and building located at Cherry Hill, NJ in the amount of \$1,500,000, subject to the tenant obtaining financing within 9 months of the date of the lease. The purchase option has been exercised and the buyer is in the process of obtaining financing as of the date of this report.