

MULTIPLE SCLEROSIS FOUNDATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Multiple Sclerosis Foundation, Inc.

We have audited the accompanying financial statements of Multiple Sclerosis Foundation, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of Multiple Sclerosis Foundation, Inc. as of December 31, 2018, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, the Organization has changed the presentation of net assets and allocation of functional expenses in the accompanying financial statements due to the adoption of ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Mayer Hoffman McCann P.C.

Boca Raton, Florida
April 24, 2019

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash and cash equivalents	\$ 2,997,064
Unconditional promises to give and other receivables	526,997
Investments	3,072,371
Beneficial interest in perpetual trusts	718,719
Prepaid expenses	51,438
Property and equipment, net	114,424
Other assets	<u>15,000</u>
 TOTAL ASSETS	 \$ <u>7,496,013</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	\$ 164,213
Deferred rent expense	<u>71,027</u>
 TOTAL LIABILITIES	 <u>235,240</u>
 NET ASSETS	
Without donor restrictions	6,497,054
With donor restrictions	<u>763,719</u>
 TOTAL NET ASSETS	 <u>7,260,773</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>7,496,013</u>

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 8,218,304	\$ 45,000	\$ 8,263,304
Other revenue	578,824	-	578,824
Net investment return	(56,968)	(89,678)	(146,646)
Net assets released from restrictions	28,756	(28,756)	-
TOTAL SUPPORT AND REVENUES	8,768,916	(73,434)	8,695,482
EXPENSES			
Program services	4,667,552	-	4,667,552
Fund-raising	2,133,924	-	2,133,924
Management and general	779,430	-	779,430
TOTAL EXPENSES	7,580,906	-	7,580,906
CHANGE IN NET ASSETS	1,188,010	(73,434)	1,114,576
NET ASSETS, January 1, 2018	5,309,044	837,153	6,146,197
NET ASSETS, December 31, 2018	\$ 6,497,054	\$ 763,719	\$ 7,260,773

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Support Services		Total
		Fund-raising	Management and General	
Salaries and related costs	\$ 1,878,232	\$ 1,409,957	\$ 322,643	\$ 3,610,832
Grants and donations	1,053,454	-	-	1,053,454
Printing and postage	513,223	136,860	34,215	684,298
Awareness and education	460,696	-	-	460,696
Professional services	198,221	106,734	-	304,955
Executives' salaries and related costs	174,917	43,729	72,882	291,528
Rent	91,707	91,707	91,707	275,121
Utilities	32,204	117,335	32,204	181,743
Professional fees	154,433	132,064	48,346	334,843
Miscellaneous	20,165	21,219	45,713	87,097
Advertising	2,423	9,112	186	11,721
Supplies	8,371	3,129	49,969	61,469
Equipment and furniture	33,403	21,345	5,568	60,316
Building repairs and maintenance	11,697	11,697	11,697	35,091
Depreciation	18,933	18,933	18,933	56,799
Bank charges	-	-	37,656	37,656
Insurance	15,243	10,072	1,869	27,184
Federal and state fees	-	-	5,019	5,019
Transportation	230	31	823	1,084
TOTAL EXPENSES	\$ 4,667,552	\$ 2,133,924	\$ 779,430	\$ 7,580,906

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,114,576
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	56,799
Realized and unrealized (gains) losses on investments	198,772
Change in operating assets and liabilities:	
Unconditional promises to give and other receivables	(102,336)
Prepaid expenses	26,681
Accounts payable and accrued expenses	(102,619)
Deferred rent expense	<u>(8,757)</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>1,183,116</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(39,086)
Purchase of investments	(1,146,364)
Proceeds from sales of investments	<u>1,106,367</u>
 NET CASH FLOWS FROM INVESTING ACTIVITIES	 <u>(79,083)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,104,033

CASH AND CASH EQUIVALENTS, January 1 1,893,031

CASH AND CASH EQUIVALENTS, December 31 \$ 2,997,064

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - The Multiple Sclerosis Foundation, Inc. ("MS Focus" or "Organization") is a national nonprofit organization headquartered in Fort Lauderdale, Florida which benefits all individuals whose lives are touched by this chronic neurological disorder. Since 1986, MS Focus' mission has been to provide programs and support services to those persons affected by MS that help them maintain their health, safety, self-sufficiency, and personal well being and to heighten public awareness of MS in order to elicit financial support for MS Focus' programs and services and promote understanding for those diagnosed with the illness. MS Focus' programs are supported nationally, primarily by contributions from individuals and corporations.

Financial statement presentation - The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require that the Organization reports information regarding its financial position and activities 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 general use and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Income tax status - MS Focus is currently exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

MS Focus believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Interest accrued related to material unrecognized tax benefits is recognized in interest expense and penalties in operating expenses.

MS Focus files tax returns in the U.S. federal jurisdiction, and various state jurisdictions. MS Focus is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2015.

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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents - MS Focus considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. MS Focus maintains cash in accounts with financial institutions that, at times, may exceed federally insured limits and has not experienced losses related to its cash in excess of federally insured limits. As of December 31, 2018, MS Focus' uninsured cash balances totaled approximately \$2,860,000.

Property and equipment - Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Property and equipment donations are reported as support without donor restrictions unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets and unconditional promises to give that are restricted for the purpose of acquiring property and equipment are reported as support with donor restrictions. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, MS Focus reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to net assets without donor restrictions. MS Focus' policy is to capitalize all assets with a cost greater than \$2,500.

Depreciation - Depreciation is computed using accelerated methods over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Leasehold improvements	Shorter of lease term or 39 years
Furniture and equipment	7 years
Signs	7 years
Computer hardware	5 years
Software	3 years

Fair value measurements - Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that MS Focus has the ability to access.
- Level 2 - Valuations based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuations derived from inputs that are unobservable.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Fair value measurements (continued)

There are three general valuation techniques that may be used to measure fair value:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized as Level 3.

Investments - Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Common stocks and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Donated securities: Valued at the closing price reported on the active market on which the individual securities are traded on the date of the gift. Donated securities are generally immediately sold.

Real estate: Valued at the fair value as of the dates the real estate is donated. Thereafter, such real estate investments are carried at current appraised values.

Beneficial interest in perpetual trusts: Valued at the fair value of the underlying investments in the trusts, which consist primarily of marketable debt and equity securities traded in active markets. Classified as Level 3 resulting from the perpetual nature of the trusts.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Investments (continued)

Net investment return is reported in the accompanying statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external direct investment expenses.

Contributions and promises to give - Contributions of cash, other assets, and unconditional promises to give are recognized when received from the donor. Classification of these contributions as without donor restrictions or with donor restrictions is based upon any donor imposed stipulations that limit the use of the donated assets. When a donor imposed restriction expires, that is, when a stipulated time restriction ends or a 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. Restricted contributions whose donor imposed stipulations are met in the same reporting period as the contribution is received are classified as without donor restrictions.

Unconditional promises to give are recognized at their fair value based on the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

Conditional promises to give are recognized as support when the donor imposed conditions have been met. Conditional promises to give depend on the occurrence of a specified and uncertain event.

Cash received with donor imposed restrictions limiting its use to long-term purposes is not considered cash for purposes of the statement of cash flows.

MS Focus uses the allowance method to estimate uncollectible unconditional promises to give. The allowance is based on prior experience and management's analysis of specific promises made.

Contributed services - Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. MS Focus regularly utilizes the services of volunteers to support its programs and administrative functions. Volunteer services are not recognized in MS Focus' financial statements.

Other revenue and receivables - MS Focus provides certain services to unrelated organizations which promote awareness of Multiple Sclerosis and provide education services to individuals touched by the disease. Revenues from these services totaled approximately \$492,000 for the year ended December 31, 2018. Accounts receivable related to these services totaled approximately \$12,000 as of December 31, 2018.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Other revenue and receivables (continued)

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. MS Focus provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of unrelated organizations to meet their obligations. It is MS Focus' policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Organization does not recognize interest income on past due accounts. No allowance for doubtful accounts was recognized as of December 31, 2018.

Advertising - MS Focus uses advertising to promote its programs and services. Advertising costs are expensed as incurred. Advertising expenses for the year ended December 31, 2018 totaled approximately \$12,000.

Joint cost allocation - During 2018, MS Focus incurred joint costs of approximately \$2,071,000, for informational materials and activities that included fund-raising appeals. MS Focus allocated approximately \$1,436,000 of these costs to fund-raising expense in 2018, and approximately \$635,000 of these costs to program services in 2018.

Expense allocations - The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities and change in net assets. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related costs, which are allocated on the basis of estimates of time and effort; rent, building repairs and maintenance, utilities and depreciation, which are allocated on a square footage basis; and printing and postage are based on usage estimates.

New accounting pronouncement - The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. In 2018, the Organization adopted ASU 2016-14 and adjusted the presentation of the accompanying financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of the ASU had no material impact on the accompanying financial statements.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(2) Liquidity

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and cash equivalents, unconditional promises to give and other receivables, and investments. For purpose of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures relating to its ongoing activities of the various programs offered by MS Focus as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the accompanying statement of cash flows which identifies the sources and uses of the MS Focus cash and shows positive cash flow for the year ended December 31, 2018.

As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 2,997,064
Unconditional promises to give and other receivables	526,997
Investments	3,072,371
Anticipated distributions from beneficial interest in perpetual trusts	<u>31,000</u>
	<u>\$ 6,627,432</u>

(3) Unconditional promises to give and other receivables

Unconditional promises to give and other receivables consist primarily of amounts due from bequests, pledges and automobile donation programs. Management believes all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been provided. All unconditional promises to give and other receivables are expected to be realized in one year or less.

(4) Bequests

MS Focus has received indications of gifts in the form of bequests, which are revocable during the donors' lifetime, as well as bequests from deceased donors. Due to the uncertain nature of these intentions from active donors, MS Focus has not recognized an asset or contribution revenue for these gifts. For several bequests from deceased donors, information is not reasonably available to estimate the amount to be received from the estates. The estimated total intentions to give aggregated approximately \$1,520,000 at December 31, 2018.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Investments and fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

<u>December 31, 2018:</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
			<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 1,180,485	\$ 1,181,869	\$ 1,181,869	\$ -	\$ -
Fixed income index funds	1,960,399	1,885,697	1,885,697	-	-
Donated land and property	11,892	4,805	-	4,805	-
	<u>\$ 3,152,776</u>	<u>3,072,371</u>	<u>3,067,566</u>	<u>4,805</u>	<u>-</u>
Beneficial interest in perpetual trusts		718,719	-	-	718,719
		<u>\$ 3,791,090</u>	<u>\$ 3,067,566</u>	<u>\$ 4,805</u>	<u>\$ 718,719</u>

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets:

	<u>Year ended December 31, 2018</u>
Balance, beginning of year	\$ 808,397
Unrealized gains (losses)	<u>(89,678)</u>
Balance, end of year	<u>\$ 718,719</u>

(6) Property and equipment

As of December 31, 2018, property and equipment consisted of the following:

	<u>2018</u>
Software	\$ 634,784
Computer hardware	193,617
Leasehold improvements	102,486
Equipment	48,574
Furniture	25,715
Signs	<u>2,515</u>
Total cost	1,007,691
Accumulated depreciation	<u>893,267</u>
	<u>\$ 114,424</u>

Depreciation expense was approximately \$56,800 for the year ended December 31, 2018.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Commitments and contingencies

On April 22, 2010, MS Focus entered into a non-cancelable operating lease agreement for office facilities in Fort Lauderdale, Florida to provide additional space and to replace the existing leases. The lease commenced in September 2010, expires December 31, 2022, and provides for two five year renewal options at increased monthly rents. Under the terms of the lease, MS Focus received a four month abatement of base rents which increase beginning January 2014 through the end of the lease term. Rent expense includes base rent, which is recognized monthly on the straight-line basis over the initial term of the new lease, plus maintenance, taxes and other allocable costs. Deferred rent expense approximated \$71,000 at December 31, 2018.

MS Focus also leases office equipment under various non-cancelable operating leases that expire on various dates through January 2023.

Future minimum rentals, considering rental abatement periods, under leases with remaining non-cancelable terms in excess of one year, including the lease executed in 2018, are approximately as follows:

<u>Years Ending December 31,</u>	<u>Minimum Reportable Rental Expense</u>	<u>Required Rental Payments</u>
2019	\$ 235,400	\$ 250,200
2020	229,400	244,200
2021	228,200	249,000
2022	207,000	227,800
2023	1,100	1,100
	<u>\$ 901,100</u>	<u>\$ 972,300</u>

Rental expense under operating leases was approximately \$328,000 for the year ended December 31, 2018, and is included in equipment and furniture expense and rent expense in the accompanying statement of functional expenses.

From time to time MS Focus is involved in litigation in the normal course of operations. Management believes resolution of any ongoing matters would not have a material impact on the financial statements.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(8) **Net assets with donor restrictions**

Net assets with donor restrictions as of December 31, 2018 are available for the following purposes:

	<u>2018</u>
Perpetual interest in trusts, for which investment investment earnings are unrestricted	\$ 718,719
Awareness and education	<u>45,000</u>
	<u>\$ 763,719</u>

Net assets with donor restrictions for the year ended December 31, 2018 were released from restrictions for the following purposes:

	<u>2018</u>
Awareness and Education	<u>\$ 28,756</u>

(9) **Subsequent events**

MS Focus has evaluated subsequent events through April 24, 2019, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.