

MULTIPLE SCLEROSIS FOUNDATION, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Multiple Sclerosis Foundation, Inc.

Opinion

We have audited the financial statements of Multiple Sclerosis Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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 present fairly, in all material respects, the financial position of Multiple Sclerosis Foundation, Inc. as of December 31, 2021, 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 the Organization 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 the Organization's ability to continue as a going concern for 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 the Organization'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 the Organization'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.

Mary Hoffman McCann P.C.

Boca Raton, Florida
August 30, 2022

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 4,142,994
Unconditional promises to give and other receivables	292,728
Employee retention credit receivable	729,673
Investments	3,259,848
Beneficial interest in perpetual trusts	982,837
Prepaid expenses	78,817
Property and equipment, net	10,691
Other assets	<u>15,000</u>
TOTAL ASSETS	<u>\$ 9,512,588</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	\$ 95,175
Deferred rent expense	<u>20,757</u>
TOTAL LIABILITIES	<u>115,932</u>
NET ASSETS	
Without donor restrictions	8,258,819
With donor restrictions	<u>1,137,837</u>
TOTAL NET ASSETS	<u>9,396,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,512,588</u>

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 2,630,493	\$ 555,000	\$ 3,185,493
Governmental grants	974,917	-	974,917
Other revenue	653,750	-	653,750
Net investment return	200,666	71,630	272,296
Forgiveness of paycheck protection program loan	715,864	-	715,864
Net assets released from restrictions	<u>830,000</u>	<u>(830,000)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>6,005,690</u>	<u>(203,370)</u>	<u>5,802,320</u>
EXPENSES			
Program services	3,041,408	-	3,041,408
Fund-raising	1,152,729	-	1,152,729
Management and general	<u>841,024</u>	<u>-</u>	<u>841,024</u>
TOTAL EXPENSES	<u>5,035,161</u>	<u>-</u>	<u>5,035,161</u>
CHANGE IN NET ASSETS	970,529	(203,370)	767,159
NET ASSETS, January 1, 2021	<u>7,288,290</u>	<u>1,341,207</u>	<u>8,629,497</u>
NET ASSETS, December 31, 2021	<u>\$ 8,258,819</u>	<u>\$ 1,137,837</u>	<u>\$ 9,396,656</u>

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2021

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Fund-raising</u>	<u>Management and General</u>	
Salaries and related costs	\$ 1,470,744	\$ 653,400	\$ 315,182	\$ 2,439,326
Grants and donations	613,193	-	-	613,193
Printing and postage	389,009	103,736	25,934	518,679
Awareness and education	203,409	-	-	203,409
Executive's salary and related costs	47,244	-	188,974	236,218
Rent	94,396	94,396	94,396	283,188
Utilities	20,398	95,439	47,205	163,042
Professional fees	121,035	157,771	69,399	348,205
Miscellaneous	12,455	7,086	9,062	28,603
Advertising	95	322	467	884
Supplies	1,507	601	23,904	26,012
Equipment and furniture	25,484	10,968	8,932	45,384
Building repairs and maintenance	10,583	10,583	10,583	31,749
Depreciation	8,280	8,280	8,280	24,840
Bank charges	-	-	26,796	26,796
Insurance	23,576	10,147	7,828	41,551
Federal and state fees	-	-	3,677	3,677
Transportation	-	-	405	405
TOTAL EXPENSES	\$ 3,041,408	\$ 1,152,729	\$ 841,024	\$ 5,035,161

See Notes to Financial Statements

MULTIPLE SCLEROSIS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 767,159
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	24,840
Forgiveness of paycheck protection program loan	(715,864)
Realized and unrealized (gains) on investments	(243,843)
Change in operating assets and liabilities:	
Unconditional promises to give and other receivables	(183,158)
Employee retention credit receivable	(729,673)
Prepaid expenses	(13,898)
Other assets	13,948
Accounts payable and accrued expenses	(47,818)
Deferred rent expense	<u>(20,757)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(1,149,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,365,964)
Proceeds from sales of investments	<u>1,784,624</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>418,660</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(730,404)
CASH AND CASH EQUIVALENTS, January 1	<u>4,873,398</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 4,142,994</u>

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 Multiple Sclerosis ("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 the statement of functional 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 2018.

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. Cash equivalents totaled approximately \$546,000 at December 31, 2021.

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, 2021.

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.

Treasury bills: Valued using pricing models maximizing the use of observable inputs for similar securities.

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 change in net assets 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 unless they meet the recognition criteria above.

Other revenue - MS Focus provides certain services to unrelated entities which promote awareness of MS and provide education services to individuals touched by the disease. Revenue in relation to services to unrelated organizations is recognized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 *Revenue from Contracts with Customers*, when the performance obligation is satisfied, upon the services being rendered. Revenue for these services totaled approximately \$654,000 for the year ended December 31, 2021. Accounts receivable related to these services totaled approximately \$86,000 as of December 31, 2021.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Recent accounting pronouncements - In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. The Organization is evaluating the impact that this new accounting guidance will have on its financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires that nonprofits present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose the following:

- A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
- For each category of contributed nonfinancial assets recognized, qualitative information about whether nonfinancial assets were monetized or utilized; the Organization's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets, donor-imposed restrictions associated with contributed nonfinancial assets, and valuation techniques, inputs, and the principal market for determining fair value.

The ASU will be effective for annual reporting periods beginning after June 15, 2021. The Organization is evaluating the impact that this new accounting guidance will have on its financial statements and related disclosures.

Other receivables - 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, 2021.

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, 2021 totaled approximately \$900.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Joint cost allocation - During 2021, MS Focus incurred joint costs of approximately \$735,000, for informational materials and activities that included fund-raising appeals. MS Focus allocated approximately \$561,000 of these costs to fund-raising, and approximately \$174,000 of these costs to program services.

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.

(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.

As of December 31, 2021, 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	\$ 4,142,994
Unconditional promises to give and other receivables	292,728
Employee retention credit receivable	729,673
Investments	3,259,848
Anticipated distributions from beneficial interest in perpetual trusts	51,000
	<u>\$ 8,476,243</u>

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(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 \$81,000 at December 31, 2021.

(5) Investments and fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

<u>December 31, 2021:</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	\$ 1,000,443	\$ 1,249,154	\$ 1,249,154	\$ -	\$ -
Fixed income securities and similar index funds	1,994,755	2,005,889	-	2,005,889	-
Donated land and property	11,892	4,805	-	4,805	-
	<u>\$ 3,007,090</u>	<u>3,259,848</u>	<u>1,249,154</u>	<u>2,010,694</u>	<u>-</u>
Beneficial interest in perpetual trusts		982,837	-	-	982,837
		<u>\$ 4,242,685</u>	<u>\$ 1,249,154</u>	<u>\$ 2,010,694</u>	<u>\$ 982,837</u>

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2021:

Balance, beginning of year	\$ 911,207
Change in estimated fair value	<u>71,630</u>
Balance, end of year	<u>\$ 982,837</u>

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Property and equipment

As of December 31, 2021, property and equipment consisted of the following:

Software	\$ 634,784
Computer hardware	193,617
Leasehold improvements	106,836
Equipment	48,574
Furniture	25,715
Signs	<u>2,515</u>
Total cost	1,012,041
Accumulated depreciation	<u>1,001,350</u>
	<u><u>\$ 10,691</u></u>

Depreciation expense was approximately \$25,000 for the year ended December 31, 2021.

(7) Concentrations

MS Focus maintains cash and investments in accounts with financial institutions that, at times, may exceed the Federal Deposit Insurance Corporation limit of \$250,000 and Securities Investor Protection Corporation limit of \$500,000. The Organization has not experienced losses related to its cash and investments in excess of the insured limits. As of December 31, 2021, MS Focus' uninsured cash and cash equivalents and investments balances totaled approximately \$3,909,000 and \$2,754,000, respectively.

Total Support and Revenues for the year ended December 31, 2021 from the U.S. Federal Government totaled \$1,690,781.

(8) Commitments, contingencies, and subsequent event

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. In August 2022, the lease was extended for an additional five year term, with monthly rentals of \$17,500 for 2023 and then increasing monthly rentals by \$500 on January 1, 2024 and every two years thereafter. 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 \$21,000 for the year ended December 31, 2021.

MS Focus also leases office equipment under various non-cancelable operating leases that expire on various dates through October 2024.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Commitments, contingencies, and subsequent event (continued)

Future minimum rentals, considering rental abatement periods, under leases with remaining non-cancelable terms in excess of one year, excluding the lease executed in 2022, are approximately as follows:

<u>Years Ending December 31,</u>	<u>Minimum Reportable Rental Expense</u>	<u>Required Rental Payments</u>
2022	\$ 228,000	\$ 248,300
2023	25,900	25,900
2024	<u>17,600</u>	<u>17,600</u>
	<u>\$ 271,500</u>	<u>\$ 291,800</u>

Rental expense under operating leases was approximately \$328,000 for the year ended December 31, 2021, 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.

(9) Net assets with donor restrictions

Net assets with donor restrictions as of December 31, 2021 are available for the following purposes:

Perpetual interest in trusts, for which investment earnings are unrestricted	\$ 982,837
Quality of life	100,000
Awareness and education	<u>55,000</u>
	<u>\$ 1,137,837</u>

Net assets with donor restrictions totaling \$400,000 and \$430,000 were released from restrictions for quality of life and awareness and education, respectively, during the year ended December 31, 2021.

(10) Risks and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus ("COVID-19") a pandemic. As a result of the spread of the COVID-19 and actions taken to mitigate it, uncertainties have arisen that could have an adverse impact on the activities carried out by the Organization. It is possible that the Organization is vulnerable to the risk of a near-term severe impact and may experience a certain degree of business interruption as well as disruption to carrying out its mission.

MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(10) Risks and uncertainties (continued)

MS Focus invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflicts. 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 the carrying amount in the statement of financial position.

(11) Paycheck protection program loan, employee retention credit, and subsequent event

The Organization applied for and received a forgivable Paycheck Protection Program Loan ("PPP") of approximately \$708,000 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded in April 2020. Under the terms of the loan, the balance was forgivable to the extent the proceeds were used for certain qualified costs for a period of time in 2020 and that certain employment levels were maintained. To the extent a portion of the loan did not meet the criteria to be forgiven, such amount was due in April 2022 and carried an interest rate of 1%. In June 2021, the full amount of the PPP loan in the amount of approximately \$708,000 plus accrued interest of approximately \$8,000 were forgiven. Accordingly, the Organization recorded a gain in the amount of approximately \$716,000 in the accompanying statement of activities and change in net assets.

The Organization made claims for refundable credits under the Employee Retention Credit ("ERC") program applicable to the year ended December 31, 2021, as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and subsequently amended by the Consolidated Appropriations Act, 2021. Under the terms of this program, the Organization must incur qualifying wage or health insurance costs and have either suspended operations under governmental order or experienced specified declines in gross receipts. If conditions are not met, any amount of credit received is refundable to the government and the Organization may be subject to fines and penalties. The Organization accounts for the ERC as a conditional contribution. Through December 31, 2021, approximately \$975,000 has been reported as grant revenue. During 2021, the Organization received approximately \$245,000 of ERC funding and the remaining funding of approximately \$730,000 was recorded as grant receivable as of December 31, 2021 on the accompanying statement of financial position.

(12) Subsequent events

MS Focus has evaluated subsequent events through August 30, 2022, which is the date the financial statements were available to be issued. Except as noted in Notes 8 and 11, 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.