

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2022



## 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, 2022, 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 the Organization as of December 31, 2022, 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.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

### ***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.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
September 29, 2023

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2022

**ASSETS**

Cash and cash equivalents	\$ 2,290,475
Unconditional promises to give and other receivables	169,973
Employee retention credit receivable	473,856
Investments	3,402,479
Operating lease right-of-use assets	995,375
Finance lease right-of-use assets	44,974
Beneficial interest in perpetual trusts	795,029
Prepaid expenses	48,266
Property and equipment, net	36,484
Other assets	<u>19,805</u>
TOTAL ASSETS	<u>\$ 8,276,716</u>

**LIABILITIES AND NET ASSETS**

LIABILITIES	
Accounts payable and accrued expenses	\$ 78,523
Operating lease liabilities	1,018,638
Finance lease liabilities	<u>43,602</u>
TOTAL LIABILITIES	<u>1,140,763</u>
NET ASSETS	
Without donor restrictions	6,230,924
With donor restrictions	<u>905,029</u>
TOTAL NET ASSETS	<u>7,135,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,276,716</u>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 2,849,428	\$ 110,000	\$ 2,959,428
Other revenue	463,523	-	463,523
Net investment return	(143,763)	(187,808)	(331,571)
Net assets released from restrictions	155,000	(155,000)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>3,324,188</b>	<b>(232,808)</b>	<b>3,091,380</b>
<b>EXPENSES</b>			
Program services	3,179,956	-	3,179,956
Fund-raising	1,094,204	-	1,094,204
Management and general	1,077,923	-	1,077,923
<b>TOTAL EXPENSES</b>	<b>5,352,083</b>	<b>-</b>	<b>5,352,083</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,027,895)</b>	<b>(232,808)</b>	<b>(2,260,703)</b>
NET ASSETS, January 1, 2022	8,258,819	1,137,837	9,396,656
NET ASSETS, December 31, 2022	<b>\$ 6,230,924</b>	<b>\$ 905,029</b>	<b>\$ 7,135,953</b>

See Notes to Financial Statements

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

Year Ended December 31, 2022

	<b>Program Services</b>	<b>Support Services</b>		<b>Total</b>
		<b>Fund-raising</b>	<b>Management and General</b>	
Salaries and related costs	\$ 1,513,696	\$ 809,190	\$ 257,621	\$ 2,580,507
Grants and donations	494,712	-	-	494,712
Printing and postage	428,413	114,244	28,561	571,218
Awareness and education	217,059	-	-	217,059
Executive's salary and related costs	90,317	-	361,268	451,585
Lease costs	124,802	-	124,802	249,604
Rent related costs	47,748	-	47,748	95,496
Utilities	34,470	7,536	26,932	68,938
Professional fees	164,174	149,495	102,295	415,964
Miscellaneous	12,104	934	31,633	44,671
Advertising	460	1,169	613	2,242
Supplies	226	-	26,181	26,407
Equipment and furniture	-	-	5,799	5,799
Building repairs and maintenance	24,353	-	24,353	48,706
Depreciation	4,358	-	4,359	8,717
Bank charges	-	-	21,983	21,983
Insurance	23,064	11,636	8,898	43,598
Federal and state fees	-	-	3,744	3,744
Transportation	-	-	1,133	1,133
<b>TOTAL EXPENSES</b>	<b>\$ 3,179,956</b>	<b>\$ 1,094,204</b>	<b>\$ 1,077,923</b>	<b>\$ 5,352,083</b>

See Notes to Financial Statements

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (2,260,703)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	8,717
Realized and unrealized loss on investments	331,751
Operating lease right-of-use assets	212,506
Amortization of finance lease right-of-use assets	36,258
Interest on finance lease liabilities	840
Change in operating assets and liabilities:	
Unconditional promises to give and other receivables	122,755
Employee retention credit receivable	255,817
Prepaid expenses	30,551
Payments on operating leases	(210,000)
Accounts payable and accrued expenses	<u>(16,652)</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES (1,488,160)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(34,510)
Purchase of investments	(2,108,462)
Proceeds from sales of investments	<u>1,817,083</u>

NET CASH FLOWS FROM INVESTING ACTIVITIES (325,889)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on finance leases	<u>(38,470)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (1,852,519)

CASH AND CASH EQUIVALENTS, January 1 4,142,994

CASH AND CASH EQUIVALENTS, December 31 \$ 2,290,475

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

Obtaining a right-of-use asset in exchange for an operating lease liability	<u>\$ 1,184,875</u>
Obtaining a right-of-use asset in exchange for a finance lease liability	<u><u>\$ 81,232</u></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 2019.

**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 \$255,000 at December 31, 2022.

**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	Lease term
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, 2022.

*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.

Government grants are accounted for as conditional contributions, which requires that all program conditions be substantially met before recognition into income.

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 \$464,000 for the year ended December 31, 2022. Accounts receivable related to these services totaled approximately \$19,000 as of December 31, 2022.

# 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”) ASU 2016-02, *Leases* (“ASC Topic 842”). This guidance requires a dual approach for lessee accounting whereby a lessee will account for lease arrangements with terms greater than 12 months as either finance or operating leases. Finance and operating leases will be recognized on the lessee’s statement of financial position as right-of-use assets and corresponding lease liabilities, with differing methodologies for statement of activities recognition. In addition, the ASU requires expanded qualitative and quantitative disclosures about the Organization’s lease arrangements.

Effective January 1, 2022, the Organization adopted ASC Topic 842 and elected the optional transition method to apply the transition provisions from the effective date of adoption, which requires the Organization to report the cumulative effect of the adoption of the new standard on net assets on the date of adoption, with no restatement of prior period balances.

The Organization determines if an arrangement is a lease at inception. The Organization’s operating and finance leases are included in operating and finance lease right-of-use assets and operating and finance lease liabilities, respectively, on the accompanying statement of financial position. A right-of-use asset represents the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease.

The right-of-use assets and lease liabilities are recognized at commencement date at the present value of the future lease payments. The Organization’s leases do not provide an implicit rate and as a result the Organization has elected to use the risk-free rate in determining the present value of the future lease payments. The risk-free rate used is the U.S. Treasury yield curve rate that has a term comparable to that of the lease term. The Organization’s lease agreement contains only lease components. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term and is included in lease costs on the accompanying statement of functional expenses. Amortization expense for finance lease right-of-use assets is recognized on a straight-line basis over the lease term and is included in lease costs on the accompanying statement of functional expenses.

The adoption of the new standard resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of approximately \$1,185,000 and \$1,205,000, respectively, with the difference representing deferred rent expense of approximately \$20,000 at January 1, 2022. Approximately \$995,000 and \$1,015,000 of the operating lease right-of-use assets and operating lease liabilities, respectively, related to exercising the first five-year option to extend (Note 8). The extension agreement was executed in August 2022, with an effective date of January 1, 2023. The adoption of ASC Topic 842 also resulted in the recognition of finance lease right-of-use assets and finance lease liabilities of approximately \$81,000. There was no cumulative effect adjustment to net assets as of the date of adoption.

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### ( 1 ) Summary of significant accounting policies (continued)

#### Recent accounting pronouncements (continued)

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 was effective for annual reporting periods beginning after June 15, 2021. The adoption of ASU 2020-07 did not have a material impact on the Organization's December 31, 2022 financial statements.

**Accounts receivable** - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts and are included in unconditional promises to give and other receivables in the accompanying statement of financial position. 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, 2022.

**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, 2022 totaled approximately \$2,200.

# MULTIPLE SCLEROSIS FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### ( 1 ) Summary of significant accounting policies (continued)

**Joint cost allocation** - During 2022, MS Focus incurred joint costs of approximately \$970,000, for activities that included fund-raising appeals. MS Focus allocated approximately \$738,000 of these costs to fund-raising, and approximately \$232,000 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 changes 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; lease costs, 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 the 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, 2022, 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	\$ 2,290,475
Unconditional promises to give and other receivables	169,973
Employee retention credit receivable	473,856
Investments	3,402,479
Anticipated distributions from beneficial interest in perpetual trusts	44,000
	<u>\$ 6,380,783</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 \$89,000 at December 31, 2022.

**( 5 ) Investments and fair value measurements**

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

<u>December 31, 2022:</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	\$ 948,870	\$ 1,090,809	\$ 1,090,809	\$ -	\$ -
Fixed income securities and similar index funds	2,093,977	2,046,153	-	2,046,153	-
Fixed income exchange traded funds	281,684	265,517	265,517	-	-
	<u>\$ 3,324,531</u>	3,402,479	1,356,326	2,046,153	-
Beneficial interest in perpetual trusts		795,029	-	-	795,029
		<u>\$ 4,197,508</u>	<u>\$ 1,356,326</u>	<u>\$ 2,046,153</u>	<u>\$ 795,029</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, 2022:

Balance, beginning of year	\$ 982,837
Change in estimated fair value	<u>(187,808)</u>
Balance, end of year	<u>\$ 795,029</u>

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 6 ) Property and equipment**

As of December 31, 2022, property and equipment consisted of the following:

Software	\$ 669,294
Computer hardware	193,617
Leasehold improvements	106,836
Equipment	48,574
Furniture	25,715
Signs	<u>2,515</u>
Total cost	1,046,551
Accumulated depreciation	<u>1,010,067</u>
	<u>\$ 36,484</u>

Depreciation expense was approximately \$8,700 for the year ended December 31, 2022.

**( 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, 2022, MS Focus' uninsured cash and cash equivalents and investment balance totaled approximately \$2,096,000 and \$2,902,000, respectively.

**( 8 ) Commitments and contingencies**

On April 22, 2010, MS Focus entered into a non-cancelable operating lease agreement for office facilities in Fort Lauderdale, Florida. The lease commenced in September 2010, expiring on December 31, 2022, and provided for two five year renewal options at increased monthly rents. In August 2022, the Organization exercised its first option to extend the lease for five years, expiring in December 2027, with monthly rentals of \$17,500 for 2023 and then increasing monthly by \$500 on January 1, 2024 and every two years thereafter.

Additionally, MS Focus also leases office equipment under various financing leases that expire on various dates through October 2024.



**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 8 ) Commitments and contingencies (continued)**

The Organization's operating and finance leases are included in operating and finance lease right-of-use assets and operating and finance lease liabilities, respectively, on the accompanying statement of financial position.

The components of lease costs for the year ended December 31, 2022, were as follows:

Operating lease cost	<u>\$</u>	<u>212,506</u>
Finance lease cost		
Amortization of right-of-use assets	\$	36,258
Interest on lease liabilities		840
Total finance lease cost	<u>\$</u>	<u>37,098</u>

Other information related to operating and finance leases as of December 31, 2022 were as follows:

Weighted Average Remaining Lease Term:	
Operating leases	4.92 years
Finance leases	0.57 years
Weighted Average Discount Rate:	
Operating leases	2.05%
Finance leases	0.57%

Future minimum lease payments under operating and finance leases are as follows:

<u>Years Ending December 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 210,000	\$ 29,323
2024	216,000	14,774
2025	216,000	-
2026	222,000	-
2027	209,400	-
	1,073,400	44,097
Less: interest expense	(54,762)	(495)
Lease liabilities	\$ 1,018,638	\$ 43,602

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**

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

Net assets with donor restrictions as of December 31, 2022 are available for the following purposes:

Perpetual interest in trusts, for which investment earnings are unrestricted	\$ 795,029
Quality of life	10,000
Awareness and education	<u>100,000</u>
	<u>\$ 905,029</u>

Net assets with donor restrictions totaling \$100,000 and \$55,000 were released from restrictions for quality of life and awareness and education, respectively, during the year ended December 31, 2022.

**( 10 ) Risks and uncertainties**

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 ) Employee retention credit and subsequent event**

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. In 2021, the Organization recognized \$975,000 of ERC as grant revenue. In 2021 and 2022, the Organization received payments totaling approximately \$245,000 and \$256,000, respectively. The remaining balance of approximately \$474,000 was recorded as a grant receivable as of December 31, 2022 on the accompanying statement of financial position. In July 2023, an additional payment of approximately \$339,000 was received by the Organization.

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**NOTES TO FINANCIAL STATEMENTS**

**( 12 ) Subsequent events**

MS Focus has evaluated subsequent events through September 29, 2023, which is the date the financial statements were available to be issued.

Except as noted in Note 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.