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MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

Consolidated Financial Statements

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)



**and
Report Thereon**



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

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For the Year Ended June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Multiple Sclerosis Association of America, Inc. (the Association) and Affiliates (collectively referred to as MSAA), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the Affiliates of the Association as of June 30, 2014, which statements reflect total assets of \$8,729,499 and total revenues of \$2,022,777 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Affiliates of the Association, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Multiple Sclerosis Association of America, Inc. and Affiliates as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited MSAA's 2013 consolidated financial statements, and our report dated November 13, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to the Affiliates of the Association, is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 6, 2014

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Summarized Financial Information as of June 30, 2013)**

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,223,559	\$ 3,921,809
Pledges receivable, net	470,544	601,473
Accounts receivable	141,554	50,993
Prepaid expenses and other assets	86,446	84,380
Total Current Assets	2,922,103	4,658,655
Investments	2,886,092	1,160,618
Restricted cash and cash equivalents	2,095,992	1,764,952
Property and equipment, net	7,191,714	7,401,407
TOTAL ASSETS	\$ 15,095,901	\$ 14,985,632
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 751,966	\$ 950,685
Capital lease obligations, current portion	11,108	10,932
Note payable, current portion	-	5,353
Mortgage payable, current portion	57,447	52,390
Line of credit	501,492	621,492
Total Current Liabilities	1,322,013	1,640,852
Tenant security deposits	38,188	36,372
Capital lease obligations, net of current portion	14,138	25,246
Mortgage payable, net of current portion	1,230,417	1,287,864
TOTAL LIABILITIES	2,604,756	2,990,334
Net Assets		
Unrestricted:		
General - Association	2,583,327	2,144,068
General - Affiliates	341,714	189,094
Board designated	1,500,000	1,500,000
Total Unrestricted	4,425,041	3,833,162
Temporarily restricted	8,066,104	8,162,136
TOTAL NET ASSETS	12,491,145	11,995,298
TOTAL LIABILITIES AND NET ASSETS	\$ 15,095,901	\$ 14,985,632

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT				
Donated materials, services and equipment	\$ 29,652,820	\$ -	\$ 29,652,820	\$ 6,375,125
Contributions	5,453,380	-	5,453,380	10,010,550
Grants and bequests	335,256	3,289,375	3,624,631	3,394,936
Rental income	2,071,377	-	2,071,377	2,041,057
Special events	337,221	-	337,221	188,866
Investment income	284,283	-	284,283	281,855
Miscellaneous income	62,658	-	62,658	71,171
Net assets released from restrictions:				
Satisfaction of program restrictions	3,385,407	(3,385,407)	-	-
TOTAL REVENUE AND SUPPORT	41,582,402	(96,032)	41,486,370	22,363,560
EXPENSES				
Program Services:				
Public education and patient services	33,584,127	-	33,584,127	12,438,775
Housing	1,870,157	-	1,870,157	1,769,269
Total Program Services	35,454,284	-	35,454,284	14,208,044
Supporting Services:				
Fundraising	4,934,617	-	4,934,617	6,755,103
General and administrative	601,622	-	601,622	615,919
Total Supporting Services	5,536,239	-	5,536,239	7,371,022
TOTAL EXPENSES	40,990,523	-	40,990,523	21,579,066
CHANGE IN NET ASSETS	591,879	(96,032)	495,847	784,494
NET ASSETS, BEGINNING OF YEAR	3,833,162	8,162,136	11,995,298	11,210,804
NET ASSETS, END OF YEAR	\$ 4,425,041	\$ 8,066,104	\$ 12,491,145	\$ 11,995,298

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	Program Services			Supporting Services			2014 Total	2013 Total
	Public Education and Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services		
Donated media	\$ 26,809,814	\$ -	\$ 26,809,814	\$ 2,382,312	\$ -	\$ 2,382,312	\$ 29,192,126	\$ 5,964,703
Patient assistance	3,093,119	-	3,093,119	-	-	-	3,093,119	2,750,235
Salaries and wages	1,456,129	474,048	1,930,177	104,994	360,225	465,219	2,395,396	2,246,032
Contract services	543,485	-	543,485	1,798,626	35,716	1,834,342	2,377,827	6,344,931
Postage, printing and mailing costs	475,067	-	475,067	401,794	28,645	430,439	905,506	1,327,529
Occupancy	50,997	578,994	629,991	2,682	16,737	19,419	649,410	621,037
Payroll taxes and fringe benefits	381,075	98,629	479,704	26,795	82,603	109,398	589,102	559,797
Professional fees and counseling	378,943	57,360	436,303	14,273	35,959	50,232	486,535	429,851
Depreciation and amortization	26,677	380,473	407,150	1,478	9,226	10,704	417,854	398,031
Interest	15,906	121,346	137,252	1,173	2,954	4,127	141,379	155,132
Office supplies and expenses	29,265	104,499	133,764	1,744	4,395	6,139	139,903	120,595
Special events	-	-	-	128,574	-	128,574	128,574	139,381
Licenses and fees	55,825	6,454	62,279	60,726	1,364	62,090	124,369	131,409
Miscellaneous	48,676	44,860	93,536	1,221	3,077	4,298	97,834	68,537
Publications	82,041	-	82,041	-	-	-	82,041	98,568
Bank and investment management fees	57,328	-	57,328	4,226	10,647	14,873	72,201	70,181
Travel	44,962	-	44,962	3,000	7,557	10,557	55,519	59,192
Telephone	21,024	-	21,024	450	1,134	1,584	22,608	20,268
Data processing and list costs	13,769	-	13,769	549	1,383	1,932	15,701	70,994
Advertising	25	3,494	3,519	-	-	-	3,519	2,663
TOTAL EXPENSES	\$ 33,584,127	\$ 1,870,157	\$ 35,454,284	\$ 4,934,617	\$ 601,622	\$ 5,536,239	\$ 40,990,523	\$ 21,579,066

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)
Increase (Decrease) in Cash and Cash Equivalents**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 495,847	\$ 784,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	417,854	398,031
Net realized and unrealized gains on investments	(212,794)	(188,646)
Loss on disposals of property and equipment	1,803	-
Changes in assets and liabilities:		
Pledges receivable	130,929	(6,321)
Accounts receivable	(90,561)	11,578
Prepaid expenses and other assets	(2,066)	3,261
Accounts payable and accrued expenses	(198,719)	(175,121)
Tenant security deposits	1,816	690
	544,109	827,966
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,141,526)	(955,436)
Proceeds from sales of investments	628,846	2,912,805
Deposits to restricted cash for replacement reserves and interest	(331,040)	(26,771)
Purchases and construction of property and equipment	(209,964)	(381,547)
	(2,053,684)	1,549,051
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(10,932)	(10,760)
Principal payments on mortgage payable	(52,390)	(47,778)
Principal payment on note payable	(5,353)	(6,183)
Repayments on line of credit	(120,000)	(230,000)
	(188,675)	(294,721)
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,698,250)	2,082,296
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,921,809	1,839,513
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,223,559	\$ 3,921,809
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	\$ 141,379	\$ 155,132

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

1. Organization and Summary of Significant Accounting Policies

Organization

The Multiple Sclerosis Association of America, Inc. (the Association) was incorporated as a nonprofit organization in 1970. The mission of the Association is to ease the day-to-day challenges of individuals with multiple sclerosis (MS) and their caregivers through service, education and research. These activities are funded primarily through contributions from individuals.

The affiliates of the Association – Multiple Sclerosis Housing, Inc. (MSH); MSAA Housing for Independent Living, Inc. (MSAA HIL); MSAA Jacksonville, Inc. (MSAA Jacksonville); Multiple Sclerosis Handicapped Housing, Inc. (MSHH); and MSAA Housing for the Disabled, Inc. (MSAA HFD) (collectively referred to as the Affiliates) – have been organized to acquire real property in various locations and to construct and operate thereon an apartment complex for elderly and handicapped persons. Such projects are regulated by the U.S. Department of Housing and Urban Development (HUD) as to rent charges and operating methods.

In May 2014, HUD approved the Association's request to transfer the building owned by MSH and the related mortgage to another sponsor. The transfer had not been finalized as of June 30, 2014 and MSH remained under the Association's control. The transfer was finalized on October 30, 2014. The Association continued to manage MSH through the transfer date.

Principles of Consolidation

The consolidated financial statements of the Association and its Affiliates (collectively referred to as MSAA) have been prepared on the accrual basis of accounting and include the accounts of the Association and its Affiliates. All material intercompany balances and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents

MSAA considers all money market funds to be cash equivalents.

Investments

Investments are composed of equity mutual funds, fixed-income mutual funds, and equity securities and are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest income is recorded as earned and dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) on investments are reported as unrestricted investment income.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, MSAA has categorized its applicable financial instruments into a required fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of June 30, 2014, only MSAA's investments, as described in Note 3, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

Pledges Receivable

MSAA reports unconditional promises to give as contribution revenue at their estimated net realizable value on the date of donation. The majority of the pledges receivable consist of pledges made to MSAA through its telemarketing campaigns and through America's Charities. Due to the nature of these pledges, the amounts are recorded in the accompanying consolidated financial statements net of an allowance for estimated amounts that will not be collected based on MSAA's experience with these revenue sources. For the year ended June 30, 2014, the pledges were recorded in the accompanying consolidated financial statements net of an allowance of approximately 30%. All pledges are expected to be collected in less than one year and the net amount recorded in the accompanying consolidated statement of financial position is considered fully collectible. Accrued expenses include the costs related to the solicitation of pledges receivable.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years for furniture and equipment and thirty to forty years for buildings. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.

MSAA reviews long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the year ended June 30, 2014.

Classification of Net Assets

MSAA's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of MSAA's operations. Also included in unrestricted net assets is \$1,500,000 of funds designated by the Board of Directors to serve as a working capital reserve.
- Temporarily restricted net assets represent funds that are specifically restricted by donors and HUD for use in various programs.

Revenue Recognition

Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

MSAA reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

MSAA receives capital advances from HUD under Section 811 of the National Affordable Housing Act. These advances are reported as temporarily restricted support when received. The capital advances do not bear interest and are not required to be repaid as long as the housing remains available to disabled persons for at least 40 years. Failure to keep the housing available to disabled persons would result in HUD billing the owner for the entire capital advance outstanding, plus interest, since the date of the first advance. The entire amount of the capital advances will be released from temporarily restricted net assets upon the expiration of the 40-year term of the agreements, which will occur between 2033 and 2039.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

Donated Materials, Services and Equipment

In-kind contributions are recognized as revenue and support and expenses in the accompanying consolidated statement of activities at the estimated fair value as provided by the donor at the date of donation. In-kind contributions primarily consist of public service announcements received from various media outlets across the country and advertisements received through the Google AdWords campaign.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

As of June 30, 2014, the Association's investments consisted of the following:

Fixed-income mutual funds	\$ 1,012,687
Equity mutual funds	1,872,234
Equity securities	<u>1,171</u>
Total	<u>\$ 2,886,092</u>

Investment returns are summarized as follows for the year ended June 30, 2014:

Realized gains	\$ 80,843
Unrealized gains	131,951
Interest and dividends	<u>71,489</u>
Total	<u>\$ 284,283</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

2. Investments (continued)

Also included in interest and dividends above and in investment income in the accompanying consolidated statement of activities is \$4,883 of interest income earned on cash and cash equivalents.

3. Fair Value Measurements

The following table summarizes MSAA's assets measured at fair value on a recurring basis as of June 30, 2014, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Fixed-income mutual funds:				
Intermediate term	\$ 696,605	\$ 696,605	\$ -	\$ -
High yield	169,251	169,251	-	-
Inflation hedges	146,830	146,831	-	-
Equity mutual funds:				
Large cap	758,803	758,803	-	-
International	708,196	708,196	-	-
Small cap	208,819	208,819	-	-
Mid cap	185,989	185,989	-	-
Large value	10,428	10,427	-	-
Equity securities:				
Services	<u>1,171</u>	<u>1,171</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,886,092</u>	<u>\$ 2,886,092</u>	<u>\$ -</u>	<u>\$ -</u>

4. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent amounts required to be maintained in accordance with regulatory agreements with HUD for the replacement of property and other expenditures, as approved by HUD. As of June 30, 2014, \$2,095,992 is included in restricted cash and cash equivalents in the accompanying consolidated statement of financial position in accordance with the terms of these agreements.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

5. Property and Equipment and Related Depreciation and Amortization

MSAA held the following property and equipment as of June 30, 2014:

Land	\$ 741,271
Buildings and improvements	10,604,417
Furniture, fixtures and equipment	<u>1,483,615</u>
Total Property and Equipment	12,829,303
Less: Accumulated Depreciation	<u>(5,637,589)</u>
Property and Equipment, Net	<u>\$ 7,191,714</u>

Depreciation and amortization expense was \$417,854 for the year ended June 30, 2014.

6. Mortgage Payable

As of June 30, 2014, the mortgage payable represents a 30-year building loan provided by HUD. The original amount of the mortgage was \$1,835,800. The mortgage note, which is collateralized by MSH's apartment complex, is payable in monthly installments of \$14,415, including principal and interest, at an annual rate of 9.25% through November 2026. During the year ended June 30, 2014, interest expense under this mortgage was \$121,346.

The schedule of future principal payments under the note is as follows as of June 30, 2014:

For the Year Ending June 30,	
2015	\$ 57,447
2016	62,992
2017	69,074
2018	75,741
2019	82,258
Thereafter	<u>940,352</u>
Total Mortgage Payable	1,287,864
Less: Current Portion	<u>(57,447)</u>
Noncurrent Portion	<u>\$ 1,230,417</u>

7. Temporarily Restricted Net Assets

As of June 30, 2014, temporarily restricted net assets are available for the following purposes:

Housing	\$ 6,853,200
Patient services	<u>1,212,904</u>
Total	<u>\$ 8,066,104</u>

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

8. Commitments and Contingencies

Concentrations of Risk

The operations of each of the Affiliates are concentrated in the multi-family real estate market. The Affiliates operate in a heavily regulated environment. The operations of the Affiliates are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentrations of Credit Risk

MSAA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2014, MSAA had approximately \$2,050,000 composed of demand deposits and savings and money market accounts, which exceeded the maximum limit insured of the FDIC by approximately \$870,000. MSAA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Line of Credit

The Association has a \$2,000,000 revolving line of credit with a bank that is secured by the Association's investments held at the bank. The interest rate is calculated using the bank's commercial rate index, which, as of June 30, 2014, was 3.25%. The line of credit is due upon demand. As of June 30, 2014, \$501,492 was outstanding on the line of credit. Interest expense incurred on this line of credit during the year ended June 30, 2014 was \$19,379.

9. Donated Materials, Services and Equipment

During the year ended June 30, 2014, the Association received the following in-kind contributions, which were recorded at their estimated fair value on the date of donation:

Media materials	\$ 29,192,126
Google AdWords campaign	460,269
Other	<u>425</u>
Total	<u>\$ 29,652,820</u>

Media materials consist of televised, newspaper, and digital public service announcements (PSA's) that have been donated to the Association by various media outlets. These public service announcements are distributed to media outlets nationwide and run free of charge. The Association has contracted with an independent outside agency to track the date and time that each public service announcement runs, and the value of the announcements is

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

9. Donated Materials, Services and Equipment (continued)

based on the date, time, and market. Media materials appear as donated media in the accompanying consolidated statement of functional expenses under the public education and patient services program and fundraising.

The Google Adwords campaign consists of advertisements for the Association's services received from Google free of charge and is recorded within patient assistance under the public education and patient services program.

MSAA's programs are also furthered through the contribution of time from unpaid volunteers. For the year ended June 30, 2014, volunteers have contributed more than 700 hours to MSAA's program services. These donated services are not reflected in the accompanying consolidated statement of activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

10. Allocation of Joint Costs

For the year ended June 30, 2014, MSAA incurred joint costs for direct mail campaigns and telemarketing activities, both of which included fundraising appeals. These joint costs have been included in contract services; data processing and list costs; and postage, printing and mailing costs in the accompanying consolidated statement of functional expenses. Those joint costs are allocated as follows:

Fundraising	\$ 2,162,682
Public education and patient services	997,129
General and administrative	<u>64,826</u>
Total	<u>\$ 3,224,637</u>

11. Pension Plan

MSAA has a noncontributory defined contribution retirement plan that is available to all employees who have completed one year of service and attained 21 years of age. Employer contributions are made to the plan according to an employee's years of service based on percentages, as defined in the plan document. An employee is vested in the employer contributions according to the employee's years of service with MSAA, as defined in the plan document. During the year ended June 30, 2014, MSAA contributed \$53,242 to the plan.

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Association and its Affiliates are exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2014, no provision for income taxes was made, as the Association and its Affiliates had no net unrelated business income.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

12. Income Taxes (continued)

MSAA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. MSAA performed an evaluation of uncertain tax positions for the year ended June 30, 2014, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2014, the statute of limitations for tax years ended June 30, 2011 through June 30, 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which MSAA files tax returns. It is MSAA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

13. Reclassifications

Certain 2013 financial information has been reclassified to conform to the 2014 presentation.

14. Prior Year Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSAA's consolidated financial statements for the year ended June 30, 2013, from which the summarized information was derived.

15. Subsequent Events

In preparing these consolidated financial statements, MSAA has evaluated events and transactions for potential recognition or disclosure through November 6, 2014, the date the consolidated financial statements were available to be issued. Except as discussed below there were no subsequent events that require recognition of, or disclosure in, these consolidated financial statements.

Subsequent to year-end, MSAA entered into a contract to sell its headquarters building in Cherry Hill, New Jersey. No adjustments have been included on the financial statements to account for the potential sale of the property.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

15. Subsequent Events (continued)

Subsequent to year-end, MSAA signed a non-binding letter of intent to purchase a building to serve as its headquarters.

Additionally, the transfer of the building owned by MSH and the related mortgage from the Association to another sponsor, as described in Note 1 to these consolidated financial statements, was finalized on October 30, 2014.

SUPPLEMENTAL CONSOLIDATING INFORMATION

**MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC.
AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 2,055,017	\$ 104,144	\$ 13,674	\$ 18,623	\$ 16,560	\$ 15,541	\$ 2,223,559	\$ -	\$ 2,223,559
Pledges receivable, net	470,544	-	-	-	-	-	470,544	-	470,544
Accounts receivable	95,520	11,530	2,006	24,861	5,890	1,747	141,554	-	141,554
Prepaid expenses and other assets	15,089	21,785	16,756	1,477	16,325	15,014	86,446	-	86,446
Total Current Assets	2,636,170	137,459	32,436	44,961	38,775	32,302	2,922,103	-	2,922,103
Investments	2,886,092	-	-	-	-	-	2,886,092	-	2,886,092
Restricted cash and cash equivalents	-	729,456	440,760	26,937	384,386	514,453	2,095,992	-	2,095,992
Property and equipment, net	844,140	1,177,071	1,579,285	671,365	1,306,240	1,613,613	7,191,714	-	7,191,714
TOTAL ASSETS	\$ 6,366,402	\$ 2,043,986	\$ 2,052,481	\$ 743,263	\$ 1,729,401	\$ 2,160,368	\$ 15,095,901	\$ -	\$ 15,095,901
LIABILITIES AND NET ASSETS									
Current Liabilities									
Accounts payable and accrued expenses	\$ 541,975	\$ 104,258	\$ 34,065	\$ 7,398	\$ 36,431	\$ 27,839	\$ 751,966	\$ -	\$ 751,966
Capital lease obligations, current portion	11,108	-	-	-	-	-	11,108	-	11,108
Mortgage payable, current portion	-	57,447	-	-	-	-	57,447	-	57,447
Line of credit	501,492	-	-	-	-	-	501,492	-	501,492
Total Current Liabilities	1,054,575	161,705	34,065	7,398	36,431	27,839	1,322,013	-	1,322,013
Tenant security deposits	1,458	11,044	6,046	3,652	7,666	8,322	38,188	-	38,188
Capital lease obligations, net of current portion	14,138	-	-	-	-	-	14,138	-	14,138
Mortgage payable, net of current portion	-	1,230,417	-	-	-	-	1,230,417	-	1,230,417
TOTAL LIABILITIES	1,070,171	1,403,166	40,111	11,050	44,097	36,161	2,604,756	-	2,604,756
Net Assets									
Unrestricted									
General	2,583,327	640,820	(42,530)	(202,487)	64,604	(118,693)	2,925,041	-	2,925,041
Board designated	1,500,000	-	-	-	-	-	1,500,000	-	1,500,000
Total Unrestricted	4,083,327	640,820	(42,530)	(202,487)	64,604	(118,693)	4,425,041	-	4,425,041
Temporarily restricted	1,212,904	-	2,054,900	934,700	1,620,700	2,242,900	8,066,104	-	8,066,104
TOTAL NET ASSETS	5,296,231	640,820	2,012,370	732,213	1,685,304	2,124,207	12,491,145	-	12,491,145
TOTAL LIABILITIES AND NET ASSETS	\$ 6,366,402	\$ 2,043,986	\$ 2,052,481	\$ 743,263	\$ 1,729,401	\$ 2,160,368	\$ 15,095,901	\$ -	\$ 15,095,901

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
REVENUE AND SUPPORT									
Contributions	\$ 5,453,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,453,380	\$ -	\$ 5,453,380
Donated materials, services and equipment	29,652,820	-	-	-	-	-	29,652,820	-	29,652,820
Grants and bequests	3,624,631	-	-	-	-	-	3,624,631	-	3,624,631
Rental income	62,442	753,894	332,305	151,996	366,982	403,758	2,071,377	-	2,071,377
Special events	337,221	-	-	-	-	-	337,221	-	337,221
Investment income	280,412	1,398	764	58	738	913	284,283	-	284,283
Miscellaneous income	52,687	2,792	1,883	354	2,664	2,278	62,658	-	62,658
TOTAL REVENUE AND SUPPORT	39,463,593	758,084	334,952	152,408	370,384	406,949	41,486,370	-	41,486,370
EXPENSES									
Program Services:									
Public education and patient services	33,584,127	-	-	-	-	-	33,584,127	-	33,584,127
Housing	-	631,714	338,926	154,168	347,176	398,173	1,870,157	-	1,870,157
Total Program Services	33,584,127	631,714	338,926	154,168	347,176	398,173	35,454,284	-	35,454,284
Supporting Services:									
Fundraising	4,934,617	-	-	-	-	-	4,934,617	-	4,934,617
General and administrative	601,622	-	-	-	-	-	601,622	-	601,622
Total Supporting Services	5,536,239	-	-	-	-	-	5,536,239	-	5,536,239
TOTAL EXPENSES	39,120,366	631,714	338,926	154,168	347,176	398,173	40,990,523	-	40,990,523
CHANGE IN NET ASSETS	343,227	126,370	(3,974)	(1,760)	23,208	8,776	495,847	-	495,847
NET ASSETS, BEGINNING OF YEAR	4,953,004	514,450	2,016,344	733,973	1,662,096	2,115,431	11,995,298	-	11,995,298
NET ASSETS, END OF YEAR	\$ 5,296,231	\$ 640,820	\$ 2,012,370	\$ 732,213	\$ 1,685,304	\$ 2,124,207	\$ 12,491,145	\$ -	\$ 12,491,145