

Consolidated Financial Statements and
Supplementary Information Together
with Report of Independent Certified
Public Accountants

**National Multiple Sclerosis Society and
Affiliate**

September 30, 2022
with summarized comparative information
for the year ended September 30, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
National Multiple Sclerosis Society

Opinion

We have audited the consolidated financial statements of National Multiple Sclerosis Society and Affiliate (collectively, the "Society"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as of September 30, 2022, and the changes in their net assets and their 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Society'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements of the Society as of and for the year ended September 30, 2022, taken as a whole. The supplementary information included on pages 30 and 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on 2021 summarized comparative information

We have previously audited the Society's 2021 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 21, 2022. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
January 30, 2023

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2022, with summarized comparative information as of September 30, 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,424,239	\$ 67,885,447
Contributions receivable, net	10,150,284	11,459,067
Investments	69,576,547	82,049,769
Prepaid expenses and other current assets	5,272,548	5,512,209
Total current assets	155,423,618	166,906,492
Contributions receivable, net	3,289,925	1,526,707
Property and equipment, at cost, net of accumulated depreciation	1,924,791	1,185,527
Investments - donor restricted	19,572,977	24,542,394
Investments related to charitable gift annuities	2,246,215	2,974,312
Beneficial interests in trusts	2,148,863	3,250,518
Other non-current assets	916,696	1,097,399
Total assets	\$ 185,523,085	\$ 201,483,349
LIABILITIES AND NET ASSETS		
Current liabilities		
Grants payable	\$ 25,071,575	\$ 25,753,043
Accounts payable and accrued liabilities	15,181,436	12,851,339
Deferred revenue	6,487,165	5,792,357
Due to Progressive MS Alliance	10,639,366	7,301,323
Other current liabilities	1,004,087	1,212,543
Total current liabilities	58,383,629	52,910,605
Deferred rent, net of current portion	1,086,042	1,192,315
Obligations to annuitants, net of current portion	1,591,180	1,693,288
Other non-current liabilities	68,443	11,463,506
Total liabilities	61,129,294	67,259,714
Net assets		
Without donor restrictions	75,857,659	74,684,207
With donor restrictions	48,536,132	59,539,428
Total net assets	124,393,791	134,223,635
Total liabilities and net assets	\$ 185,523,085	\$ 201,483,349

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2022, with summarized comparative information for the year ended September 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue				
Public support				
Special events contributions	\$ 98,440,236	\$ -	\$ 98,440,236	\$ 81,337,411
Contributed event services and goods	576,279	-	576,279	307,883
Total special events revenue - gross	99,016,515	-	99,016,515	81,645,294
Less: Cost of direct benefits to donors	(19,813,277)	-	(19,813,277)	(8,105,004)
Net special events	79,203,238	-	79,203,238	73,540,290
Contributions from individuals, corporations, and foundations	53,561,149	5,549,062	59,110,211	51,915,026
Bequests and trust income	13,471,445	4,402,728	17,874,173	12,954,212
Contributed public service announcements, services, and goods	9,294,022	-	9,294,022	4,053,430
Total public support	155,529,854	9,951,790	165,481,644	142,462,958
Advertising and other income	2,174,960	-	2,174,960	3,087,110
Investment income, net designated for operations	-	(2,702,225)	(2,702,225)	3,014,286
Net assets released from restrictions	13,753,018	(13,753,018)	-	-
Total operating revenue	171,457,832	(6,503,453)	164,954,379	148,564,354
Operating expenses				
Program services				
Research and scientific studies	30,400,823	-	30,400,823	28,798,792
Client and community services	46,140,446	-	46,140,446	38,651,674
Public education	40,534,925	-	40,534,925	31,593,883
Professional education and training	6,791,475	-	6,791,475	5,349,472
Total program services	123,867,669	-	123,867,669	104,393,821
Support services				
Fundraising	30,862,855	-	30,862,855	25,819,993
Management and general	13,917,941	-	13,917,941	11,970,284
Total supporting services	44,780,796	-	44,780,796	37,790,277
Total operating expenses	168,648,465	-	168,648,465	142,184,098
Change in net assets from operations	2,809,367	(6,503,453)	(3,694,086)	6,380,256
Non-operating activities				
Investment returns, net	(11,747,180)	(3,262,601)	(15,009,781)	11,842,136
Donor redesignations	69,931	(69,931)	-	-
Change in fair value of beneficial interest in trusts	-	(1,026,851)	(1,026,851)	990,817
Change in value of split-interest agreements	-	(140,460)	(140,460)	(102,902)
Gain on Paycheck Protection Program loan forgiveness	10,000,000	-	10,000,000	-
Repayment of restricted contributions	-	-	-	(778,105)
Other non-operating income	41,334	-	41,334	59,766
Total non-operating activities	(1,635,915)	(4,499,843)	(6,135,758)	12,011,712
Change in net assets	1,173,452	(11,003,296)	(9,829,844)	18,391,968
Net assets, beginning of year	74,684,207	59,539,428	134,223,635	115,831,667
Net assets, end of year	\$ 75,857,659	\$ 48,536,132	\$ 124,393,791	\$ 134,223,635

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year ended September 30, 2022, with summarized comparative information
for the year ended September 30, 2021**

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ (9,829,844)	\$ 18,391,968
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Net realized and unrealized loss (gain) on investments	20,436,877	(12,805,437)
Gain on Paycheck Protection Program loan forgiveness	(10,000,000)	-
Depreciation and amortization	825,593	1,200,254
Change in value of split-interest agreements	140,460	(212,441)
Change in deferred rent	(428,311)	(788,920)
Changes in:		
Contributions receivable	(454,435)	751,082
Beneficial interest in trusts	1,101,655	(742,514)
Prepaid expenses and other assets	420,364	808,021
Accounts payable and accrued expenses	2,330,097	1,170,376
Grants payable	(681,468)	(1,913,718)
Deferred revenue	694,808	1,553,357
Other liabilities	(1,272,837)	348,925
Due to Progressive MS Alliance	3,338,043	(541,251)
Liability to annuitants	(110,750)	(170,423)
	<u>6,510,252</u>	<u>7,049,279</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of furniture and equipment	(1,564,857)	(160,077)
Purchase of investments	(14,001,532)	(46,326,682)
Proceeds from sales of investments	11,594,929	28,448,830
	<u>(3,971,460)</u>	<u>(18,037,929)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	10,000,000
	<u>-</u>	<u>10,000,000</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,538,792	(988,650)
Cash and cash equivalents, beginning of year	<u>67,885,447</u>	<u>68,874,097</u>
Cash and cash equivalents, end of year	<u>\$ 70,424,239</u>	<u>\$ 67,885,447</u>
Supplemental Disclosure of Non-cash Financing Transactions:		
Paycheck Protection Program loan forgiveness	<u>\$ 10,000,000</u>	<u>\$ -</u>

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2022, with summarized comparative information for the year ended September 30, 2021

	Program Activities				Support Services			Direct Donor Benefits	Year Ended 2022	Year Ended 2021	
	Research and Scientific Studies	Client and Community Services	Public Education	Professional Education and Training	Total	Fundraising	Management and General				Total
Salaries, payroll taxes, and benefits	\$ 3,041,698	\$ 27,783,204	\$ 22,275,847	\$ 2,802,565	\$ 55,903,314	\$ 13,569,336	\$ 9,494,575	\$ 23,063,911	\$ -	\$ 78,967,225	\$ 69,824,538
Awards, grants, and prizes	26,187,340	6,817,197	1,171	2,627,300	35,633,008	4,127	2,460	6,587	2,877,775	38,517,370	32,445,469
Contributed public service announcements, services, and goods	305,893	54,000	8,630,439	-	8,990,332	303,690	-	303,690	576,278	9,870,300	4,361,314
Professional fees	358,592	6,513,170	3,584,228	646,485	11,102,475	5,816,641	1,891,304	7,707,945	-	18,810,420	16,271,644
Occupancy	184,396	2,888,069	2,193,348	256,376	5,522,189	1,565,753	999,623	2,565,376	3,709,189	11,796,754	9,662,316
Conferences, meetings, and travel	204,256	537,847	249,345	253,664	1,245,112	470,041	149,552	619,593	8,306,479	10,171,184	2,997,398
Printing, publication, and postage	10,041	249,177	1,622,121	45,546	1,926,885	3,617,624	758,113	4,375,737	-	6,302,622	4,214,720
Credit card fees and bank fees	31	7,242	299	1	7,573	3,295,364	15,881	3,311,245	-	3,318,818	2,683,359
Depreciation and amortization	18,824	294,819	223,901	26,171	563,715	159,835	102,043	261,878	-	825,593	1,200,254
Other	89,752	995,721	1,754,226	133,367	2,973,066	2,060,444	504,390	2,564,834	4,343,556	9,881,456	6,628,090
Total expenses	30,400,823	46,140,446	40,534,925	6,791,475	123,867,669	30,862,855	13,917,941	44,780,796	19,813,277	188,461,742	150,289,102
Less: Cost of direct benefits to donors	-	-	-	-	-	-	-	-	(19,813,277)	(19,813,277)	(8,105,004)
Total expenses as reported on the consolidated statement of activities	\$ 30,400,823	\$ 46,140,446	\$ 40,534,925	\$ 6,791,475	\$ 123,867,669	\$ 30,862,855	\$ 13,917,941	\$ 44,780,796	\$ -	\$ 168,648,465	\$ 142,184,098

The accompanying notes are an integral part of this consolidated financial statement.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 - ORGANIZATION

National Multiple Sclerosis Society and Affiliate (collectively, the “Society”), a national not-for-profit health agency, exists to create a world free of Multiple Sclerosis (“MS”). The Society’s mission is: We will cure MS while empowering people affected by MS to live their best lives. The Society is comprised of a 50-state network with offices across the country and is governed by a national board of directors and supported by local boards of trustees.

The Society is a driving force of MS research and scientific studies which necessitates a comprehensive strategy that can fuel knowledge and speed better treatments, health care policies and new disease and symptom management therapies. To move us ever closer to a world free of MS, the Society, in fiscal 2022 alone, invested \$30.4 million to support 308 new and ongoing research projects around the world. The Society also provides information, community engagement programs and services to the estimated one million people diagnosed with MS in the U.S.

For every person affected by MS - those diagnosed with the disease and their loved ones - the Society is determined to be a lifelong partner and resource, whenever there’s a need for reliable information and connections to the right professionals and to others who have walked their own journeys, and continuing as each person makes decisions to live life on their own terms. The Society’s MS Navigators - highly skilled, compassionate professionals - are available from anywhere in the country. These supportive partners help navigate the challenges of MS unique to each situation and may include professional case manager’s support for challenges including accessing health care, financial issues, emotional support and much more.

Due to diligent financial management and revenue generation throughout the pandemic, the Society exceeded expectations which resulted in a sizable surplus in fiscal 2021. The surplus increased the balance of available net assets without donor restrictions and stability reserves beyond the high end of our reserve guidelines. In fiscal 2022, the National Board of Directors approved a multi-year \$10 million strategic initiative from reserves which will accelerate cutting edge research focused on early detection and treatment, expand training and engagement of clinical fellows, enhance the Society’s website to make it easier for people to connect to the resources they need, as well as invest in Society leadership development and workforce retention.

National Multiple Sclerosis Society qualifies as a charitable organization as defined by Internal Revenue Code (“IRC”) Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC section 501(a). Additionally, since National Multiple Sclerosis Society is publicly supported, contributions qualify for the maximum charitable contribution deduction under the IRC. The Society’s commercial research investment effort, Fast Forward LLC (“Fast Forward”), a consolidated not-for-profit affiliate, derives its tax exemption from National Multiple Sclerosis Society and is treated as a “disregarded entity” for tax purposes.

NOTE 2 - COVID-19

The COVID-19 pandemic significantly affected Society operations throughout fiscal years 2020 and 2021. In fiscal year 2022, the Society resumed normal operations. Offices are open; events and programs offer in-person and virtual options to engage people affected by MS in the ways they are most comfortable.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was established in 2020 to assist businesses during the COVID-19 pandemic. As a part of the CARES Act, the Society elected to defer the deposit and payment of the employer share of payroll taxes between April 2020 and December 2020. As of September 30, 2021, the Society recorded \$2,443,571 in deferred payroll taxes. The first payment of \$1,221,350 was paid in December 2021. The remaining balance of \$1,221,350, which is reflected within accounts payable and accrued liabilities on the accompanying consolidated statement of financial position, is due December 31, 2022.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

After the American Rescue Plan Act was passed by Congress, the Society became eligible for and was granted a loan in the amount of \$10,000,000, pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") (the "PPP Loan"). The PPP Loan, which was in the form of a five-year note dated April 2, 2021, bears interest at a rate of 1% per annum and was reflected in other non-current liabilities on the consolidated statement of financial position as of September 30, 2021. On June 1, 2022, the Society was notified that the PPP loan was forgiven in full, and accordingly a nonoperating gain is reflected on the accompanying consolidated statement of activities for the year ended September 30, 2022.

NOTE 3 - PROGRAM ACTIVITIES

The Society's mission is accomplished through funding cutting-edge research grants and training programs, driving change through advocacy, collaborating with MS organizations worldwide, and connecting people affected by MS to information, resources and people to live their best lives now. The principal program activities of the Society are:

Research and Scientific Studies

The National MS Society has declared that we will 'Accelerate Cures through Global Leadership'. Achieving this impact requires a clear vision for the most promising areas of research that will lead to a cure for everyone living with MS. This vision is articulated in the Pathways to Cures Research Roadmap which includes three Pathways: (1) Stopping MS disease activity, (2) Restoring function by reversing damage and symptoms, and (3) Ending MS by preventing new cases. Key objectives in the STOP pathway include early detection and precision medicine. Key objectives in the RESTORE pathway include remyelination and restoration of function. Key objectives in the END pathway include primary prevention (limiting exposures to MS risk factors in the general population) and secondary prevention (focused on individuals at high risk for MS and developing and deploying interventions in the period prior to preclinical/clinical stages of disease to reduce or eliminate the risk for developing MS). International consensus on Pathways to Cures is evidenced by the endorsements for the Roadmap received by MS organizations from around the world.

Also included are costs associated with five types of activities that can be deployed to advance the pathways: Prioritization; Research and workforce investments; Convening and thought leadership; Advocacy; Education and communication.

Client and Community Services

The Society is devoted to empowering people affected by MS to solve everyday challenges and to improving access to personalized, affordable, high-quality MS healthcare. Programs, services, and resources facilitate education, recreation, physical and emotional wellness, provide financial resources and a connection for people living with multiple sclerosis. Also included are costs associated with collaborating with other community organizations, focusing on access to healthcare, rehabilitation, treatments and therapies; long-term care; disability rights issues; vocational training and rehabilitation, wellness and fitness; and outreach and education to rural and underserved populations.

Public Education

The Society seeks to expand and deepen the individual and collective experiences of the MS movement. People with MS can better manage their disease when they have the support and understanding of the people around them—from doctors to employers to family members. That's why we work relentlessly to tell the world what it means to live with MS. This includes costs associated with educating the public about multiple sclerosis including the Society's awareness campaigns, public service announcements, and

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Momentum, which is the Society's flagship magazine distributed quarterly to people living with multiple sclerosis, healthcare providers, and supporters of the Society.

Professional Education and Training

The Society wants scientists and healthcare professionals to be aware of and trained in MS so that the very best expertise worldwide is engaged in finding treatments and solutions for everyone with MS. This includes activities and programs designed to improve the knowledge, skills and critical judgment of scientists, physicians and other healthcare professionals engaged (directly or indirectly) in providing services to people living with MS by keeping them abreast of new diagnostic techniques and therapies.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets within the financial statements of not-for-profit entities through the enhancement of the presentation and disclosure of such activities. Under the new guidance, not-for-profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities and disclose certain information related to contributed nonfinancial assets received during the period, including but not limited to: (1) a disaggregation of the amount of contributed nonfinancial assets by type; (2) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the period; (3) a description of donor-imposed restrictions associated with nonfinancial assets; and (4) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial assets. The Society adopted ASU 2020-07 during fiscal 2022. The presentation and related disclosures of the accompanying consolidated financial statements were updated in accordance with this standard.

Principles of Consolidation

The accompanying consolidated financial statements consist of the accounts of National Multiple Sclerosis Society and Fast Forward, a not-for-profit limited liability company of which National Multiple Sclerosis Society is the sole member.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 and the amounts of revenues and expenses during the reporting period, the most significant of which include the fair values assigned to certain financial instruments; the collectability of contributions receivable; the fair value of contributed public service announcements; the useful lives assigned to property and equipment; and the functionalization of expenses. Actual results could differ from those estimates.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with U.S. GAAP. Accordingly, all significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

The Society classifies its net assets in the following categories:

Net Assets Without Donor Restrictions - Represent net assets which are not restricted by donors. Net assets without donor restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for the Society to utilize in any of its programs or supporting services. Net assets without donor restrictions may be designated for specified purposes by the Society's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net Assets With Donor Restrictions - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require the Society to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions whose restrictions are met during the same fiscal year in which the contribution was recognized are presented as revenues without donor restrictions on the accompanying consolidated statement of activities.

Net assets with donor restrictions also includes the corpus of gifts which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Revenue Recognition

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Society recognizes revenue when control of the promised goods or services are transferred in an amount that reflects the consideration the Society expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Society recognizes contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

The Society recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the Society evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Society applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before being entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets

Contributions (including unconditional promises to give) are recorded as revenue at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as support with donor restrictions. Unconditional promises to give, with payments due in future years, are reported as support with donor restrictions, discounted to present value using credit adjusted discount rates which articulate with the collection period of the respective pledge. Such discount rates are not subsequently revised. When a donor restriction expires, that is, when a time restriction ends or a purpose

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions.

Special event, contribution, and advertising revenues are recorded on an accrual basis as earned.

Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.

Fast Forward receives contributions under separate collaboration agreements with other not-for-profit organizations to fund certain Sponsored Research Agreements (“SRAs”) entered with certain organizations for the purpose of conducting specified research and development and therapeutic strategies for multiple sclerosis (“R&D”) activities. Amounts received, which are refundable to the related not-for-profit organizations if not spent for the specified activities, are recorded as support when the activities have been performed or expenditures have been incurred by the recipient organizations.

Functional Allocation of Expenses

The Society’s expenses have been summarized on a functional basis in the consolidated statement of activities. Expenses that are specifically associated with programmatic activity or supporting service are allocated to that activity. Employee costs are allocated based on the employee time attributed to each programmatic activity or supporting service. Costs associated with the development and distribution of mail pieces that include a call to action along with a fundraising component, as described in the Joint Costs section below in Note 4, are allocated based on the proportion of space used for each purpose. Supporting services costs are allocated based on a weighted average of employee costs attributed to each programmatic activity or supporting service, supporting services includes board governance and oversight; accounting, internal controls, and information technology processes; general infrastructure costs; and the cost of fundraising.

Joint Costs

The Society accounts for costs of activities that include both a fundraising appeal and informational content (“joint costs”) in accordance with standards incorporated in the ASC of the FASB. In fiscal year 2022, the Society incurred joint costs of approximately \$4.6 million for information materials and activities that included fundraising appeals.

These costs have been allocated as follows for the year ended September 30, 2022:

Fundraising	\$ 3,380,437
Management and general	821,899
Public education	<u>402,530</u>
Total	<u>\$ 4,604,866</u>

Research Grants

The Society follows the resource provider provisions of ASU 2018-08, which require the Society to determine whether a transfer of assets is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. If the agreement (or referenced document) includes both, the Society, as the resource provider/grantor, would not record research grant expense until such barriers are overcome. The Society has determined that resources provided through research grants are not exchange contracts, and therefore has treated the transfer of assets as grant expense.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Research grants, which are generally awarded for three to five years, are recognized in accordance with defined payment schedules, and as the related conditions on which they depend are met. Research grants are subject to revocation rights by the Society and the continued qualification of grantees, among other criteria (barriers). Accordingly, grants are evaluated annually and expensed as approved. Society policy regarding the recognition of grants payable is to include only those amounts for which a specific grantee is identified, and the respective grant has been approved by the Society's President and Chief Executive Officer.

Payments made under SRAs are recognized as an expense, as services or R&D activities are performed by the funded entities in accordance with the terms of the respective SRA. Funding commitments by Fast Forward, for which future payments are conditioned upon achieving certain stipulated milestones, as set forth in the respective SRA, are not recognized in the consolidated financial statements.

Concentration of Credit Risk

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market, and credit risks. To manage such risks, the Society has a diversified investment portfolio in a variety of asset classes managed by an independent investment manager under the terms of an Investment Policy Statement which is regularly reviewed by the Investment Committee. The Society's cash, cash equivalents and investments are placed with high-credit quality financial institutions. The Society's Investment Committee meets at least quarterly to evaluate the investments, including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying consolidated financial statements can vary substantially from year to year. The Society maintains its cash in various bank deposit accounts that exceed federally insured limits; however, the Society does not anticipate nonperformance by these financial institutions.

Cash and Cash Equivalents

The Society considers highly liquid investments with original maturities of three months or less from the date purchased, other than those held in the investment portfolio, to be cash equivalents. At September 30, 2022, substantially all the Society's cash and cash equivalents were on deposit with two financial institutions.

Contributions Receivable

At September 30, 2022, the Society's contributions receivable, net, consist of the following:

Amounts expected to be collected:	
In less than one year	\$ 10,406,585
Less: allowance for doubtful accounts	<u>(256,301)</u>
Net contributions receivable - current	10,150,284
One to three years	3,382,269
Less: discount to present value	<u>(92,344)</u>
Net contributions receivable - long term	<u>3,289,925</u>
Total	<u>\$ 13,440,209</u>

Long-term contributions receivable are discounted using rates ranging from 0.28% to 4.25%.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

The Society maintains an allowance for doubtful accounts for estimated losses that may result from the inability of donors or advertisers to make payments. Such allowances are based on several factors, including but not limited to, historical collection experience, and the financial condition of its markets, donors or advertisers. Accounts are written off when deemed to be uncollectible.

Investments and Investment Return

The Society has classified its investment funds on the accompanying consolidated statement of financial position as follows:

Investments

Consists primarily of the Society's Stability Reserves, which are maintained to ensure financial stability during unanticipated financial circumstances. Expenditures of these investments are authorized by the Finance Committee of the Board of Directors.

Investments – Donor Restricted

Consists of funds with donor-imposed restrictions to be held in perpetuity as well as the accumulated investment earnings thereon and funds subject to the satisfaction of donor-imposed purpose or time restrictions.

Investments Related to Charitable Gift Annuities

Investments held in relation to charitable gift annuity arrangements entered into with donors.

Investments in mutual funds and equity securities are reported at fair value, based on published unit values or quoted market prices in active markets as of the reporting date. Investments in debt securities are carried at fair value, based on measurement inputs derived directly from quoted market prices or observable inputs, such as quoted market prices for similar securities, interest rates, credit risks, and other factors. Donated securities are recorded at their quoted fair values on the date received. Warrants received in connection with the funding of SRAs are stated at their estimated fair value. Income earned from investments, including realized and unrealized gains and losses and interest and dividends, is recorded in the net asset class owning the assets, except for net assets held in perpetuity where the income is recorded as net assets with donor restrictions and then reclassified to net assets without donor restrictions upon appropriation for expenditure by the Board in accordance with the Society's spending rate policy.

Split-Interest Agreements and Beneficial Interest in Trust

Under the Society's charitable gift annuity program, the Society is the beneficiary of a number of split-interest agreements established with donors, whereby the Society controls and invests the donated assets. Payments to donors are based on the payment schedule defined in the signed charitable gift annuity agreement until such time as stated in the agreement (usually upon death of the donor or the donor's designee(s)). At that time, the residual assets are available for use by the Society subject to any restrictions stipulated by the donor. Residual assets may include income generated from investment of donated assets.

The Society records a liability for amounts payable to annuitants, using an actuarial calculation performed at the time of gift. The obligation to the annuitant is accreted to the amount payable to annuitants over their life expectancies and adjustments are made annually for changes in mortality. The Society's liability to annuitants at September 30, 2022 is based on the discount rate at the time of the gift, ranging from 0.6% to 8.2% per annum and totaled \$1,864,875, of which \$1,591,180 is reflected within the consolidated statement of financial position as obligations to annuitants for the non-current portion and \$273,695 is included within other current liabilities for the current portion. State-mandated reserves related to these arrangements are maintained at required levels.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

In situations where the assets are controlled and invested by an independent third party, the Society records a beneficial interest in trust and contribution revenue for its share of the assets at fair value based on the present value of the estimated future distributions to be received by the Society over the expected term of the respective agreements. The Society's beneficial interest in trusts at September 30, 2022 total \$2,148,863.

Property and Equipment

Property and equipment are carried at cost, if purchased, or if donated, at fair value at the date of gift, less accumulated depreciation, and amortization. The Society capitalizes property and equipment with a purchase price at or above \$5,000, with a useful life of greater than one year. Depreciation is computed over the estimated useful lives of the assets, ranging from 3 to 7 years, using the straight-line method. Amortization of leasehold improvements is provided on the straight-line method over the lesser of their estimated useful lives or the terms of the related lease.

Progressive MS Alliance

The Progressive MS Alliance (the "Alliance") is a collaboration of MS organizations and other stakeholders. The Society is the lead agency and a managing member, along with Associazione Italiana Sclerosi Multipla (Italy), MS Australia, Multiple Sclerosis International Federation, MS Society (United Kingdom), and the Multiple Sclerosis Society of Canada. The Alliance is open to MS organizations from around the world and is continually seeking new member organizations from the global MS community. The Alliance has made a joint commitment to accelerate the development of treatment for progressive MS. The Alliance has three priority objectives which include:

- Understand, prevent and reverse progression;
- Speed up and improve clinical trials
- Improve well-being through proven therapeutic approaches

To date, the Alliance has funded three collaborative network research awards and nineteen Research Challenge Awards focused on new insights into progression. The goal is to achieve breakthroughs through global collaboration, accelerate approvals and improve the health of people with progressive MS.

As a managing member, the Society contributed \$11,098,505 through fiscal 2022 and has committed \$7,937,286 over the following four years, conditional on various factors. In addition, as the lead agency, the Society maintains custody of the pooled funds contributed from other Alliance members. The disbursement of funds for progressive MS research initiatives is approved by the executive committee, made up of the CEOs of the managing member organizations. The Society received a total of \$4,937,912 during the year ended September 30, 2022 from Alliance members, which will be held until such time the funds are approved for expenditure. As of September 30, 2022, the Society recorded unspent donated funds, consisting of both Society and other Alliance members' monies, totaling \$10,639,366, as a liability.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Donated Goods and Services

For the year ending September 30, 2022, the Society recognized donated goods and services within the statement of activities as follows:

Contributed event services and goods	
Food & Beverage	\$ 181,872
Event Vehicle Usage and Other Services	131,986
Event Facility Rental	125,624
Participant Incentives & Prizes	83,832
Event Supplies	41,915
Other donated event products	<u>11,050</u>
Total event contributed event services and goods	<u>\$ 576,279</u>
Contributed public service announcements, services, and goods	
Advertising	\$ 8,934,129
Contributed Services	<u>359,893</u>
Total contributed public service announcements, services, and goods	<u>9,294,022</u>
Total	<u>\$ 9,870,300</u>

A portion of event contributions are used to assist in the successful execution of Society fundraising events and provide the best possible donor experience. Contributed event services and goods were valued at their estimated fair market values as of the date of the contribution. Contributions were restricted to the specific event and released after the event took place. Event contributions are recorded as special events revenue on the statement of activities and in direct benefit to donor on the accompanying consolidated statement of functional expenses.

Other contributed public service announcements, services and goods received are recorded at their estimated fair value as of the date of contribution and are reflected as contributed public service announcements, services and goods revenue on the accompanying statement of activities.

Donated advertising includes print, radio and television public service announcements. Contributions were used to promote MS Awareness as well as Society Bike and Walk campaigns. Such amounts, which are based upon information provided by third-party media services, are recorded as public education program expense and fundraising expense on the accompanying consolidated statement of functional expenses.

Highly qualified volunteers serving on peer review research committees have donated their time and efforts to the Society. These contributed services, which meet the recognition criteria under U.S. GAAP. Such amounts are recorded as research expenses on the accompanying consolidated statement of functional expenses.

Numerous volunteers, including members of the Board of Directors, have made significant contributions of their time in furtherance of Society program and support functions. The value of this contributed time does not meet the criteria for recognition as contributed services in accordance with U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Deferred Rent

Rent expense/income is recorded on a straight-line basis over the term of the respective lease. The difference between rental payments made/received under the lease and rent expense/income calculated on a straight-line basis is recorded as deferred rent receivable or deferred rent liability on the consolidated statement of financial position.

Accounting for Uncertainty in Income Taxes

Guidance in “Accounting for Uncertainty in Income Taxes” under the ASC of the FASB clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained, if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The Society has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and, to identify and evaluate other matters that may be considered tax positions. The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. For the year ending September 30, 2022, the Society recorded \$26,341 as a provision for income taxes from unrelated business income activities which is reflected within accounts payable and accrued liabilities on the accompanying consolidated statement of financial position.

Subsequent Events

The Society has evaluated subsequent events through January 30, 2023, the date the consolidated financial statements were available for issuance. The Society is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practice expedients. ASU 2016-02 will require lessees to recognize leased assets and liabilities for operating leases on the balance sheet. Subsequently, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02 for an additional year. As such, ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2021 (fiscal 2023 for the Society). The Society is currently evaluating the impact of ASU 2016-02 at this time.

Reclassifications

Certain reclassifications were made to the fiscal 2021 consolidated financial statements in order to conform to the fiscal 2022 presentation. Such reclassifications did not result in a change to total net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2021 consolidated financial statements.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

NOTE 5 - SPECIAL EVENTS REVENUE

A summary of the Society's special events revenue for the year ended September 30, 2022 is as follows:

Event	
Bike MS	\$ 49,403,421
Walk MS	32,565,880
Dinners, luncheons, and leadership events	14,225,391
Other special events	<u>2,821,823</u>
Total special events revenue, gross	99,016,515
Less: cost of direct benefits to donors	<u>(19,813,277)</u>
Total special events revenue, net	<u>\$ 79,203,238</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

The Society follows guidance for fair value measurements that defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP for fair value measurements, the Society uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs other than quoted prices in an active market, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed; and
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable"

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

requires significant judgment by an entity. The Society considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

The fair values assigned to investments and split-interest arrangements are based on the quoted fair values of the underlying securities as of the measurement date.

The following table provides the fair value hierarchy of the Society's financial instruments as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments, investments – donor restricted, and investments related to charitable gift annuities:				
Equities	\$ 24,726,750	\$ -	\$ -	\$ 24,726,750
Mutual funds	64,080,996	-	-	64,080,996
Money market funds	2,100,101	-	-	2,100,101
Other investments	-	-	487,892	487,892
 Total investments reported on the fair value hierarchy	 90,907,847	 -	 487,892	 91,395,739
 Beneficial interest in trust	 -	 -	 2,148,863	 2,148,863
 Total	 <u>\$ 90,907,847</u>	 <u>\$ -</u>	 <u>\$ 2,636,755</u>	 <u>\$ 93,544,602</u>

Beneficial interest in trust is stated at fair value based on the trust's reporting of the underlying assets as of the reporting date.

Other investments include stock warrants and shares, which are valued using Level 3 inputs. The valuation is based primarily on the estimation and allocation of enterprise value among the equity classes of each of the issuing companies using acceptable valuation approaches for privately held, early-stage companies, which the Society considers to be reasonable.

Changes in fair value of investments measured with Level 3 inputs are as follows:

	Other Investments	Beneficial Interest in Trust	Total
Balance September 30, 2021	\$ 54,759	\$ 3,250,518	\$ 3,305,277
Additions	300,001	-	300,001
Distributions/releases	-	(74,804)	(74,804)
Change in fair values	133,132	(1,026,851)	(893,719)
Balance September 30, 2022	<u>\$ 487,892</u>	<u>\$ 2,148,863</u>	<u>\$ 2,636,755</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

NOTE 7 - INVESTMENT RETURN

The Society's investment advisors adhere to the Board of Directors approved investment policy statement last updated in September 2021. Investment losses recorded in fiscal 2022 were a result of stock market volatility. The components of the Society's net investment losses in the accompanying consolidated statement of activities are as follows for the year ended September 30, 2022:

Interest and dividends	\$ 3,038,719
Net realized and unrealized losses on investments	<u>(20,436,877)</u>
	(17,398,158)
Less: investment advisory fees	<u>(313,848)</u>
Total	<u>\$ (17,712,006)</u>

NOTE 8 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at September 30, 2022:

Furniture and fixtures	\$ 684,810
Hardware	3,328,431
Leasehold improvements	632,534
Software	<u>4,450,459</u>
	9,096,234
Less: accumulated depreciation and amortization	<u>(7,171,443)</u>
Total	<u>\$ 1,924,791</u>

NOTE 9 - EMPLOYEE RETIREMENT PLAN

The Society participates in a 401(k) Plan for all eligible employees of the Society. The Society will match 100% of the first 3% of employee contributions to the plan plus 50% on the next 2% for a maximum Safe Harbor Match contribution of 4% of pay each payroll period. For the fiscal year ended September 30, 2022, 401(k) expense totaled \$1,992,108, after application of any forfeitures.

NOTE 10 - LEASES

The Society leases space for 43 offices throughout the United States through leases with terms expiring between fiscal 2023 and fiscal 2031 and containing provisions for future rent increases that are included in the future minimum lease payments below and are amortized using the straight-line method over the lease terms.

The Society sublets a portion of its premises in Chicago, Illinois, Newark, Delaware and Atlanta, Georgia under non-cancellable sublease agreements. The Chicago subleases is co-terminus with the respective lease. The Newark and Atlanta subleases end December 31, 2022 and June 30, 2024, respectively.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Rent expense computed on the straight-line basis, totaled approximately \$5.5 million for the year ended September 30, 2022. The Society recorded a deferred rent liability at September 30, 2022 of \$1,621,859, the current portion of \$535,817 is reflected within other current liabilities on the consolidated statement of financial position, and a deferred rent receivable at September 30, 2022 of \$7,680, the current portion of \$7,158 is reflected within in the consolidated statement of financial position as part of prepaid expenses and other current assets.

Approximate future minimum lease commitments due under property and equipment operating leases and related minimum sublease income are as follows:

<u>Years Ending September 30,</u>	<u>Lease Payments</u>	<u>Sublease Income</u>
2023	\$ 4,881,856	\$ 97,878
2024	3,923,806	7,461
2025	3,187,659	-
2026	2,574,222	-
2027	1,576,594	-
Thereafter	1,124,323	-
Total	<u>\$ 17,268,460</u>	<u>\$ 105,339</u>

NOTE 11 - RESEARCH AND DEVELOPMENT ACTIVITIES

Research Grants and Fellowship Awards

The Society's program services include funding for research grants and fellowships, and institutional clinician training awards to be conducted in the future, generally over three to five-year periods. These commitments are subject to, among other things, revocation rights by the Society, the continued qualifications of grantees, and the grantees satisfying prior conditions before payment (barriers).

Outstanding future commitments for research grants and fellowship, and institutional clinician training awards, which are not recorded within grants payable on the accompanying consolidated statement of financial position due to their conditional nature are as follows:

<u>Year Ending September 30,</u>	<u>Research Grants and Fellowships</u>	<u>Institutional Clinician Training Awards</u>	<u>Total</u>
2023	\$ 13,705,304	\$ 1,253,675	\$ 14,958,979
2024	9,607,778	478,638	10,086,416
2025	3,127,042	234,850	3,361,892
2026	2,218,869	176,138	2,395,007
2027	94,839	-	94,839
Total	<u>\$ 28,753,832</u>	<u>\$ 2,143,301</u>	<u>\$ 30,897,133</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

Commercial Research Grant Funding

Fast Forward enters into SRAs with selected biotechnology companies and academic institutions engaged in research and development projects aimed at identifying and developing therapies and or diagnostics to improve the treatment of MS. Fast Forward also funds programs to facilitate the translation of academic multiple sclerosis research discoveries into commercial development. Under the SRAs, Fast Forward agrees to provide funding for specified R&D activities, payable as defined milestones are achieved. Fast Forward funds SRAs from the public support it receives from donors or through the Society, and from other funding entities under collaboration agreements. Under certain SRAs, Fast Forward received warrants or options to purchase ordinary shares, preferred stock, or common stock, of the respective R&D companies. In addition, certain SRAs entitle Fast Forward to royalties upon the achievement of specified developmental milestones for funded projects. No royalties were received by the Society in fiscal year 2022.

In fiscal year 2022, the Society disbursed a total of \$96,923 through Fast Forward to funded entities under SRAs, reflected within research expense on the consolidated statement of activities. The total prepaid expense balance associated with the Fast Forward SRAs total \$345,213 as of September 30, 2022. Outstanding conditional funding commitments under these SRAs at September 30, 2022 totaled \$316,982, all of which is expected to be satisfied in fiscal 2023.

NOTE 12 - RESTRICTED NET ASSETS

The Society's net assets with donor restrictions at September 30, 2022 are available for research, educational, and other purposes as follows:

Purpose	
Research	\$ 19,515,892
Client and community services	
General programs and services	5,915,045
Direct financial assistance	486,716
Pediatric and family services	234,453
Professional education	835,797
Other services and operational support	<u>1,386,334</u>
	28,374,237
Time restriction	1,407,740
Charitable gift annuities	457,225
Endowment funds subject to the Society's appropriation and satisfaction of donor restrictions:	
Held in perpetuity	16,569,308
Accumulated unspent earnings	<u>1,727,622</u>
	\$ 48,536,132
Total	<u>\$ 48,536,132</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

During fiscal year 2022, net assets were released following satisfaction of donor restrictions as follows:

Research	\$ 4,439,298
Client and community services	
General programs and services	5,626,338
Direct financial assistance	110,000
Pediatric	50,000
Other programs and services	2,879,830
Accumulated unspent earnings	608,215
Professional education	39,337
	<hr/>
Total	<u>\$ 13,753,018</u>

NOTE 13 - ENDOWMENT FUNDS

The Society's endowment funds have been established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions, if any.

Interpretation of Relevant Law

In September 2010, the State of New York passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law.

The Society has interpreted relevant New York law, absent explicit donor stipulations to the contrary, to act in good faith and with care that an ordinary person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund beyond the corpus continues to be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by New York law.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. General purposes of the organization and its donor-restricted endowment fund;
3. General economic conditions;
4. Possible effect of inflation and deflation;
5. Expected total return from income and appreciation of endowment investments;
6. Other resources of the organization;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

7. The investment policy of the organization; and
8. Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Society.

The Society's endowment consists of donor-restricted endowment funds, restricted to the following purposes as of September 30, 2022:

Marilyn Hilton MS Achievement Center	\$ 10,978,948
General operations	2,349,378
Other services and programs	2,071,197
Research	2,043,859
Direct financial assistance	<u>853,548</u>
Total	<u>\$ 18,296,930</u>

Return Objectives and Risk Parameters

The Society's endowment fund consists of assets that must be held in perpetuity or for specified time periods stipulated by the donors. The Society maintains investment and spending policies for its endowment assets aimed at providing predictable and steady support for the Society's research, programmatic and administrative activities. Under this policy, the endowment assets are invested in a manner intended to preserve their value consistent with such donor stipulations, minimize the effect of high economic volatility and/or low investment return and provide funding for the programs specified by the donors.

Endowment Investment Spending Policy

For all endowment funds that have a value greater than their original gift, the spending rate (stated as a percentage) will be reviewed by the Investment Committee of the Society's Board of Directors and established on an annual basis. With the exception of one endowment gift, which requires an annual spending rate of 3.5%, the annual spending rate on Endowed Funds held by the Society may range from a minimum of 0% to a maximum of 7%. The Investment Committee will recommend the annual spending to the Finance Committee of the Board of Directors.

The Society has adopted an investment policy for endowment assets that provides financial stability for the Society and a revenue stream for spending on the Society's programs. Under this policy, as approved by the Board of Directors, the Society relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that utilizes fixed-income and equity-based investments to achieve its long-term objectives within prudent risk constraints. The spending rate is based on the five year rolling average market value. For the fiscal year ended September 30, 2022, a 0% spending rate on endowments was approved, exclusive of the endowment with the 3.5% guaranteed spending rate.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

The following summarizes the activity of the endowment fund assets for the fiscal year ended September 30, 2022:

	With Donor Restrictions		Total
	Accumulated Earnings	Held in Perpetuity	
Year ended September 30, 2021	\$ 6,458,372	\$ 16,897,386	\$ 23,355,758
Contributions	-	553	553
Transfers	197,478	-	197,478
Donor redesignation	(35,194)	(314,898)	(350,092)
Net realized and unrealized losses	(4,915,831)	-	(4,915,831)
Distributions	(568,215)	(13,733)	(581,948)
Advisory fees	(70,682)	-	(70,682)
Interest and dividends	661,694	-	661,694
	<u>\$ 1,727,622</u>	<u>\$ 16,569,308</u>	<u>\$ 18,296,930</u>
Year ended September 30, 2022	<u>\$ 1,727,622</u>	<u>\$ 16,569,308</u>	<u>\$ 18,296,930</u>

During the fiscal year 2022, \$350,092 of endowment funds were redesignated by the donors to other purposes. \$99,703 of these funds were restricted to programs which have been discontinued. The balance of \$250,390 was originally restricted by the donor to be held in perpetuity but was redesignated to be purpose restricted.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

As of September 30, 2022

Cash and cash equivalents	\$ 70,424,239
Contributions receivable, net	10,150,284
Other receivables	369,753
Investments	69,576,547
Total financial assets available within one year	150,520,823
Less:	
Contractual, legal, or donor-imposed restrictions:	
Amounts subject to expenditure for specified purposes	(10,599,598)
Amounts subject to appropriation and satisfaction of donor restrictions	(13,065,510)
Total amounts unavailable for general expenditures within one year	(23,665,108)
Total financial assets available for general expenditures within one year	\$ 126,855,715

The Society is primarily supported by contributions (both with and without donor restrictions). Because donor restrictions require resources to be used in a particular manner or in future periods, the Society maintains sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022

be available for general expenditure within one year. As part of the Society's liquidity management, the Board of Directors has established guidelines for the stability reserves to consist of three to five months of operating expenses. The stability reserves, which total approximately \$69 million (currently approximately 5 months of operating expenses) as of September 30, 2022, are invested in a long-term investment strategy and can be made available for expenditure upon approval by the Finance Committee of the Board of Directors. In addition, the Society invests cash in excess of working capital requirements in short-term investments.

SUPPLEMENTARY INFORMATION

National Multiple Sclerosis Society and Affiliate
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

As of September 30, 2022

	<u>Society</u>	<u>Fast Forward LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 70,424,239	\$ -	\$ -	\$ 70,424,239
Contributions receivable, net	10,150,284	-	-	10,150,284
Contributions receivable due from Fast Forward	5,808,350	-	(5,808,350)	-
Contributions receivable due from National MS Society	-	677,063	(677,063)	-
Investments	69,088,656	487,891	-	69,576,547
Prepaid expenses and other current assets	4,925,584	346,964	-	5,272,548
Total current assets	<u>160,397,113</u>	<u>1,511,918</u>	<u>(6,485,413)</u>	<u>155,423,618</u>
Contributions receivable, net	3,289,925	-	-	3,289,925
Property and equipment, net	1,924,791	-	-	1,924,791
Investments - donor restricted	19,572,977	-	-	19,572,977
Investments related to charitable gift annuities	2,246,215	-	-	2,246,215
Beneficial interests in trusts	2,148,863	-	-	2,148,863
Other non-current assets	916,696	-	-	916,696
Total assets	<u>\$ 190,496,580</u>	<u>\$ 1,511,918</u>	<u>\$ (6,485,413)</u>	<u>\$ 185,523,085</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Grants payable	\$ 25,071,575	\$ -	\$ -	\$ 25,071,575
Accounts payable and accrued liabilities	15,178,436	3,000	-	15,181,436
Deferred revenue	6,487,165	-	-	6,487,165
Due to Progressive MS Alliance	10,639,366	-	-	10,639,366
Due to National MS Society	-	5,808,350	(5,808,350)	-
Due to Fast Forward	677,063	-	(677,063)	-
Other current liabilities	1,004,087	-	-	1,004,087
Total current liabilities	<u>59,057,692</u>	<u>5,811,350</u>	<u>(6,485,413)</u>	<u>58,383,629</u>
Deferred rent, net of current portion	1,086,042	-	-	1,086,042
Obligations to annuitants, net of current portion	1,591,180	-	-	1,591,180
Other non-current liabilities	68,443	-	-	68,443
Total liabilities	<u>61,803,357</u>	<u>5,811,350</u>	<u>(6,485,413)</u>	<u>61,129,294</u>
Net assets (deficit)				
Without donor restrictions	80,157,091	(4,299,432)	-	75,857,659
With donor restrictions	48,536,132	-	-	48,536,132
Total net assets (deficit)	<u>128,693,223</u>	<u>(4,299,432)</u>	<u>-</u>	<u>124,393,791</u>
Total liabilities and net assets (deficit)	<u>\$ 190,496,580</u>	<u>\$ 1,511,918</u>	<u>\$ (6,485,413)</u>	<u>\$ 185,523,085</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.

National Multiple Sclerosis Society and Affiliate

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended September 30, 2022

	<u>Society</u>	<u>Fast Forward LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue				
Public support				
Special events contributions	\$ 98,440,236	\$ -	\$ -	\$ 98,440,236
Contributed event services and goods	<u>576,279</u>	<u>-</u>	<u>-</u>	<u>576,279</u>
Total Special events revenue - gross	99,016,515	-	-	99,016,515
Less: Cost of direct benefits to donors	<u>(19,813,277)</u>	<u>-</u>	<u>-</u>	<u>(19,813,277)</u>
Net special events	79,203,238	-	-	79,203,238
Contributions from individuals, corporations, and foundations	59,110,211	-	-	59,110,211
Bequests and trust income	17,874,173	-	-	17,874,173
Contributed public service announcements, services, and goods	<u>9,294,022</u>	<u>-</u>	<u>-</u>	<u>9,294,022</u>
Total public support	165,481,644	-	-	165,481,644
Advertising, program fees, and other	2,136,985	37,975	-	2,174,960
Investment income designated for operations	<u>(2,702,225)</u>	<u>-</u>	<u>-</u>	<u>(2,702,225)</u>
Total operating revenue	<u>164,916,404</u>	<u>37,975</u>	<u>-</u>	<u>164,954,379</u>
Operating expenses				
Program services				
Research and scientific studies	30,307,097	93,726	-	30,400,823
Client and community services	46,139,594	852	-	46,140,446
Public education	40,534,784	141	-	40,534,925
Professional education and training	<u>6,791,460</u>	<u>15</u>	<u>-</u>	<u>6,791,475</u>
Total program services	<u>123,772,935</u>	<u>94,734</u>	<u>-</u>	<u>123,867,669</u>
Support services				
Fundraising	30,861,954	901	-	30,862,855
Management and general	<u>13,916,379</u>	<u>1,562</u>	<u>-</u>	<u>13,917,941</u>
Total supporting services	<u>44,778,333</u>	<u>2,463</u>	<u>-</u>	<u>44,780,796</u>
Total operating expenses	<u>168,551,268</u>	<u>97,197</u>	<u>-</u>	<u>168,648,465</u>
Change in net assets from operations	<u>(3,634,864)</u>	<u>(59,222)</u>	<u>-</u>	<u>(3,694,086)</u>
Non-operating activities				
Investment returns, net	(15,142,912)	133,131	-	(15,009,781)
Change in fair value of beneficial interest in trusts	(1,026,851)	-	-	(1,026,851)
Change in value of split-interest agreements	(140,460)	-	-	(140,460)
Gain on Paycheck Protection Program loan forgiveness	10,000,000	-	-	10,000,000
Other non-operating income	<u>41,334</u>	<u>-</u>	<u>-</u>	<u>41,334</u>
Total non-operating activities	<u>(6,268,889)</u>	<u>133,131</u>	<u>-</u>	<u>(6,135,758)</u>
Change in net assets	(9,903,753)	73,909	-	(9,829,844)
Net assets (deficit), beginning of year	<u>138,596,976</u>	<u>(4,373,341)</u>	<u>-</u>	<u>134,223,635</u>
Net assets (deficit), end of year	<u>\$ 128,693,223</u>	<u>\$ (4,299,432)</u>	<u>\$ -</u>	<u>\$ 124,393,791</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.