

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

**National Multiple Sclerosis Society and
Affiliate**

September 30, 2021
with summarized comparative information
for the year ended September 30, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
National Multiple Sclerosis Society:

We have audited the accompanying 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, 2021, 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 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Multiple Sclerosis Society and Affiliate as of September 30, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2021, taken as a whole. The supplementary information included on pages 29 and 30 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 2020 summarized comparative information

We have previously audited the Society's 2020 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 25, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



New York, New York
January 21, 2022

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of September 30, 2021, with summarized comparative information as of September 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 67,885,447	\$ 68,874,097
Contributions receivable, net	11,459,067	10,679,392
Investments	83,523,066	55,524,965
Prepaid expenses and other current assets	<u>5,512,209</u>	<u>6,213,918</u>
Total current assets	<u>168,379,789</u>	<u>141,292,372</u>
Contributions receivable, net	1,526,707	3,057,464
Property and equipment, at cost, net of accumulated depreciation	1,185,527	2,225,704
Investments related to endowment	23,355,758	20,280,605
Investments related to charitable gift annuities	2,687,651	2,865,175
Beneficial interests in trusts	3,391,602	2,508,005
Other non-current assets	<u>956,315</u>	<u>1,203,710</u>
Total assets	<u><u>\$ 201,483,349</u></u>	<u><u>\$ 173,433,035</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Grants payable	\$ 25,753,043	\$ 27,666,761
Accounts payable and accrued liabilities	12,851,339	11,680,963
Deferred revenue	5,792,357	4,239,000
Due to Progressive MS Alliance	7,301,323	7,842,574
Other current liabilities	<u>1,212,543</u>	<u>1,447,253</u>
Total current liabilities	<u>52,910,605</u>	<u>52,876,551</u>
Deferred rent, net of current portion	1,192,315	1,763,004
Obligations to annuitants, net of current portion	1,693,288	1,844,906
Other non-current liabilities	<u>11,463,506</u>	<u>1,116,907</u>
Total liabilities	<u>67,259,714</u>	<u>57,601,368</u>
Net assets		
Without donor restrictions	74,684,207	60,336,737
With donor restrictions	<u>59,539,428</u>	<u>55,494,930</u>
Total net assets	<u>134,223,635</u>	<u>115,831,667</u>
Total liabilities and net assets	<u><u>\$ 201,483,349</u></u>	<u><u>\$ 173,433,035</u></u>

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2021, with summarized comparative information for the year ended September 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue				
Public support				
Special events	\$ 81,570,294	\$ 75,000	\$ 81,645,294	\$ 75,785,089
Less: cost of direct benefits to donors	(8,105,004)	-	(8,105,004)	(7,666,679)
Net special events	73,465,290	75,000	73,540,290	68,118,410
Contributions from individuals, corporations, and foundations	44,906,708	7,008,318	51,915,026	57,158,550
Bequests and trust income	12,391,550	562,662	12,954,212	22,104,750
Contributed public service announcements, services, and goods	4,053,430	-	4,053,430	5,380,007
Total public support	134,816,978	7,645,980	142,462,958	152,761,717
Advertising and other income	3,087,110	-	3,087,110	5,109,379
Investment income designated for operations	268,407	2,745,879	3,014,286	822,650
Net assets released from restrictions	8,533,710	(8,533,710)	-	-
Total operating revenue	146,706,205	1,858,149	148,564,354	158,693,746
Operating expenses				
Program services				
Research and scientific studies	28,798,792	-	28,798,792	32,126,615
Client and community services	38,651,674	-	38,651,674	44,396,626
Public education	31,593,883	-	31,593,883	36,968,620
Professional education and training	5,349,472	-	5,349,472	5,849,032
Total program services	104,393,821	-	104,393,821	119,340,893
Support services				
Fundraising	25,819,993	-	25,819,993	29,954,052
Management and general	11,970,284	-	11,970,284	14,406,959
Total supporting services	37,790,277	-	37,790,277	44,361,011
Total operating expenses	142,184,098	-	142,184,098	163,701,904
Change in net assets from operations	4,522,107	1,858,149	6,380,256	(5,008,158)
Nonoperating activities				
Investment returns, net	9,182,845	2,343,948	11,526,793	2,013,951
Donor redesignations	582,752	(582,752)	-	-
Change in fair value of beneficial interest in trusts	-	990,817	990,817	64,079
Change in value of split-interest agreements	-	212,441	212,441	195,545
Repayment of restricted contributions	-	(778,105)	(778,105)	-
Other non-operating income	59,766	-	59,766	11,543
Total nonoperating activities	9,825,363	2,186,349	12,011,712	2,285,118
CHANGE IN NET ASSETS	14,347,470	4,044,498	18,391,968	(2,723,040)
Net assets, beginning of year	60,336,737	55,494,930	115,831,667	118,554,707
Net assets, end of year	\$ 74,684,207	\$ 59,539,428	\$ 134,223,635	\$ 115,831,667

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2021, with summarized comparative information for the year ended September 30, 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 18,391,968	\$ (2,723,040)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:		
Net realized and unrealized gain on investments	(12,805,437)	(379,915)
Depreciation and amortization	1,200,254	1,607,077
Change in value of split-interest agreements	(212,441)	(195,545)
Change in deferred rent	(788,920)	5,970
Changes in:		
Contributions receivable	751,082	(2,232,775)
Beneficial interest in trusts	(883,597)	(1,026,726)
Prepaid expenses and other assets	949,104	2,374,780
Accounts payable and accrued expenses	1,170,376	661,299
Grants payable	(1,913,718)	(3,757,662)
Deferred revenue	1,553,357	(3,936,570)
Other liabilities	348,925	712,705
Due to Progressive MS Alliance	(541,251)	(2,187,431)
Liability to annuitants	(170,423)	(5,208)
Net cash provided by (used in) operating activities	<u>7,049,279</u>	<u>(11,083,041)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(160,077)	(51,572)
Purchase of investments	(46,326,682)	(77,286,455)
Proceeds from sales of investments	<u>28,448,830</u>	<u>103,174,172</u>
Net cash (used in) provided by investing activities	<u>(18,037,929)</u>	<u>25,836,145</u>
Cash flows from financing activities:		
Proceeds from payroll protection loan	<u>10,000,000</u>	<u>-</u>
Net cash provided by financing activities	<u>10,000,000</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(988,650)	14,753,104
Cash and cash equivalents, beginning of year	<u>68,874,097</u>	<u>54,120,993</u>
Cash and cash equivalents, end of year	<u><u>\$ 67,885,447</u></u>	<u><u>\$ 68,874,097</u></u>

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

National Multiple Sclerosis Society and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2021, with summarized comparative information for the year ended September 30, 2020

	Program Activities					Support Services			Direct Donor Benefits	Year Ended 2021	Year Ended 2020
	Research and Scientific Studies	Client and Community Services	Public Education	Professional Education and Training	Total	Fund-Raising	Management and General	Total			
Salaries, payroll taxes, and benefits	\$ 2,730,456	\$ 24,896,639	\$ 19,446,898	\$ 2,556,052	\$ 49,630,045	\$ 11,803,361	\$ 8,391,132	\$ 20,194,493	\$ -	\$ 69,824,538	\$ 80,367,311
Awards, grants, and prizes	25,153,597	3,794,932	1,799	1,767,831	30,718,159	3,474	2,352	5,826	1,721,484	32,445,469	34,037,653
Contributed public service announcements, services, and goods	101,378	70,803	3,587,475	7	3,759,663	293,592	176	293,768	307,883	4,361,314	5,847,994
Professional fees	519,173	5,486,977	2,855,702	474,455	9,336,307	5,411,359	1,523,978	6,935,337	-	16,271,644	16,998,921
Occupancy	204,806	3,170,446	2,321,381	279,674	5,976,307	1,637,925	1,022,643	2,660,568	1,025,441	9,662,316	10,650,618
Conferences, meetings, and travel	6,401	44,839	10,878	(336)	61,782	94,344	5,842	100,186	2,835,430	2,997,398	5,669,354
Printing, publication, and postage	2,323	46,514	1,412,566	8,903	1,470,306	2,213,273	531,141	2,744,414	-	4,214,720	6,729,451
Credit card fees and bank fees	2,657	46,719	95,071	378	144,825	2,497,218	41,316	2,538,534	-	2,683,359	2,324,375
Depreciation and amortization	28,336	439,699	322,129	38,694	828,858	228,261	143,135	371,396	-	1,200,254	1,607,077
Other	49,665	654,106	1,539,984	223,814	2,467,569	1,637,186	308,569	1,945,755	2,214,766	6,628,090	7,135,829
Total expenses	28,798,792	38,651,674	31,593,883	5,349,472	104,393,821	25,819,993	11,970,284	37,790,277	8,105,004	150,289,102	171,368,583
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(8,105,004)	(8,105,004)	(7,666,679)
Total expenses as reported on the consolidated statement of activities	<u>\$ 28,798,792</u>	<u>\$ 38,651,674</u>	<u>\$ 31,593,883</u>	<u>\$ 5,349,472</u>	<u>\$ 104,393,821</u>	<u>\$ 25,819,993</u>	<u>\$ 11,970,284</u>	<u>\$ 37,790,277</u>	<u>\$ -</u>	<u>\$ 142,184,098</u>	<u>\$ 163,701,904</u>

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, 2021

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”). Everything the Society does is focused so that people affected by MS can live their best lives as we stop MS in its tracks, restore what has been lost, and end MS forever. 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 2021 alone, invested \$28.8 million to support 355 new and ongoing research projects around the world. The Society also provides information 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 beginning at the moment of diagnosis, when 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 manage their disease and live the life they want. 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 provide professional case manager’s support and guidance for challenges including accessing health care, financial issues, emotional support and much more.

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. Fast Forward LLC (“Fast Forward”), its 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

In early 2020, an outbreak of the novel strain of coronavirus (“COVID-19”) emerged on a global scale. In fiscal 2020, offices were closed, events and community programs were moved to a remote status. The pandemic continues to present operating challenges, but the Society remains focused on delivering its core mission.

While offices remain closed across the country, the Society began to hold some in person events again in May 2021, when strict safety protocols could be followed. Event participation and donor-based revenues have stabilized but have not returned to pre-pandemic levels. As a result, cash and operating expenses continue to be monitored closely.

In fiscal 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was established 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. These deferred payroll taxes are payable in two equal installments on December 31, 2021 and December 31, 2022. As of September 30, 2021, the Society has recorded \$2,443,571 in deferred payroll taxes, which is reflected within accounts payable and accrued liabilities and other non-current liabilities on the accompanying consolidated statement of financial position.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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 is reflected in other non-current liabilities on the consolidated statement of financial position as of September 30, 2021. The PPP Loan may be prepaid by the Society at any time prior to maturity with no prepayment penalties. Funds from the PPP Loan may only be used for certain costs, such as payroll costs and occupancy expenses. The Society believes that it has used the entire PPP Loan amount for qualifying expenses. Under the terms of the PPP Loan, the borrowing may be forgiven if the funds are used for qualifying expenses as described in the CARES Act. When the Society is legally released from the debt, or forgiveness is granted, the extinguishment will be recognized into income at that time.

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 Society supports research projects and scientific studies around the world aimed at stopping multiple sclerosis in its tracks, restoring function, and ending the disease forever. Research priority areas to drive breakthroughs include: defining the contribution of genetics and the risk for developing MS and disease course; understanding MS pathology and pathophysiology; understanding and treating MS progression; identifying strategies for neuroprotection and nervous system repair; and elucidating the cause of MS symptoms, the impact of comorbidities, and identifying rehabilitation, wellness behaviors and lifestyle approaches that impact disease course, symptoms and overall health.

Client and Community Services

The Society provides information, resources and support that seeks to meet the needs of people affected by MS as a whole and individually. The Society is committed to offering programs for all people regardless of where they live or where they are in their MS Journey. Programs, services, and resources for people affected by multiple sclerosis 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. This includes costs associated with educating the public about multiple sclerosis including the Society's awareness campaigns, public service announcements, and Momentum, which is the Society's flagship magazine distributed quarterly to people living with multiple sclerosis, healthcare providers, and supporters of the Society. The communications plan includes outreach across online and offline channels and biweekly emails from the Chief Executive Officer.

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

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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 May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. The adoption of ASU 2014-09 during fiscal 2021 did not have a material impact on the Society's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution 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 promiser's obligation to transfer assets. If the agreement (or referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers to the agreement. The Society adopted the amendments from a recipient perspective during fiscal 2020, which did not have a material impact on the accompanying consolidated financial statements. The adoption of ASU 2018-08 from the perspective of a resource provider during fiscal 2021 did not have a material impact on the Society's consolidated financial statements.

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, 2021

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.

Net assets with donor restrictions also includes that 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 new and 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 adopted ASC 606 in fiscal year 2021. The results of applying this standard using the modified retrospective approach did not have a material impact on the consolidated statements of financial position, statements of activities, statements of cash flows, business processes, controls or systems of the Society. The Society derives its revenue principally from contributions which are outside the scope of 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 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

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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 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 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 2021, the Society incurred joint costs of approximately \$3.4 million for information materials and activities that included fundraising appeals.

These costs have been allocated as follows as of September 30, 2021:

Fundraising	\$ 2,455,670
Management and general	605,373
Public education	350,888
Total	<u>\$ 3,411,931</u>

Research Grants

The Society has adopted 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

Society has determined that resources provided through research grants are not exchange contracts, and therefore has treated the transfer of assets as grant expense. The adoption of ASU 2018-08 did not have a material impact on the Society's consolidated financial statements.

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, 2021, substantially all the Society's cash and cash equivalents were on deposit with two financial institutions.

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September 30, 2021

Contributions Receivable

At September 30, 2021, the Society's contributions receivable, net, consist of the following:

Amounts expected to be collected:	
In less than one year	\$ 11,718,652
Less: allowance for doubtful accounts	<u>(259,585)</u>
Net contributions receivable - current	11,459,067
One to three years	1,551,807
Less: discount to present value	<u>(25,100)</u>
Net contributions receivable - long term	<u>1,526,707</u>
Total	<u><u>\$ 12,985,774</u></u>

Long-term contributions receivable are discounted using rates ranging from 0.18% to 2.39%.

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 also include funds received with donor-imposed restrictions that pertain to programmatic initiatives beyond the next fiscal year.

Investments Related to Endowments

Consists of funds with donor-imposed restrictions to be held in perpetuity as well as the accumulated investment earnings thereon.

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. Investments in certificates of deposit are carried at cost, which approximates fair value. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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, 2021 is based on the discount rate at the time of the gift, ranging from 0.6% to 8.2% per annum and totaled \$1,975,625, of which \$1,693,288 is reflected within the consolidated statement of financial position as obligations to annuitants for the non-current portion and \$282,337 is included within other current liabilities for the current portion. State-mandated reserves related to these arrangements are maintained at required levels.

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, 2021 total \$3,391,602.

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 of \$5,000 or greater. Depreciation is computed on a half-year convention basis over the estimated useful lives of the assets, generally five years. 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 a managing member, along with Associazione Italiana Sclerosi Multipla (Italy), MS Research 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

As a managing member, the Society contributed \$8,035,575 through 2021 and has committed \$12,517,385 over the following four years, conditional on various factors. In addition, the Society maintains custody of the pooled funds contributed from other Alliance members. The disbursement of funds for various progressive MS research initiatives is approved by voting Alliance members. The Society received a total of \$3,052,593 during the year ended September 30, 2021 from Alliance members, which will be held until such time the funds are approved for expenditure. As of September 30, 2021, the Society recorded unspent donated funds, consisting of both Society and other Alliance members' monies, totaling \$7,301,323, as a liability.

Donated Goods and Services

Donated goods and services, including public service announcements and donated advertising, used by the Society in programs, special events, and supporting services, are reflected as in-kind contributions and expensed on the accompanying consolidated financial statements at their estimated fair value at the date of receipt.

The Society received donated print, radio and television public service announcements of \$3,607,526 for the year ended September 30, 2021. Such amounts, which are based upon information provided by third-party media services, are recorded at their estimated fair value determined on the date of contribution and are reported as contributed public service announcements revenue, public education program expense and fundraising expense on the accompanying consolidated statements of activities and 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, totaled \$101,329 for the year ended September 30, 2021. Such amounts are recorded at their estimated fair value at the date of contribution and are reported as contributions from individuals, corporations and foundations revenue and research expenses on the accompanying consolidated statements of activities and functional expenses.

A number of 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.

The Society received other donated goods and services for the year ended September 30, 2021 in the amount of \$652,458, of which \$307,883 is reflected within the special events revenue and the balance is reflected within contributed public service announcements, services and good on the accompanying consolidated statements of activities.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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. In addition, the Society has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Subsequent Events

The Society has evaluated subsequent events through January 21, 2022, 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.

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 new guidance is effective for annual reporting periods beginning after June 15, 2021 (fiscal 2022 for the Society). Management is currently evaluating the impact that ASU 2020-07 will have on the consolidated financial statements.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE 5 - SPECIAL EVENTS REVENUE

A summary of the Society's special events revenue for the year ended September 30, 2021 is as follows:

Event	
Bike MS	\$ 44,497,536
Walk MS	23,988,321
Dinners, luncheons, and leadership events	11,776,720
Other special events	<u>1,382,717</u>
Total special events revenue, gross	81,645,294
Less: cost of direct benefits to donors	<u>(8,105,004)</u>
Total special events revenue, net	<u>\$ 73,540,290</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"

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September 30, 2021

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, investments related to endowment, and investments related to charitable gift annuities:				
Equities	\$ 32,676,899	\$ -	\$ -	\$ 32,676,899
Mutual funds	75,000,958	-	-	75,000,958
Other investments	<u>-</u>	<u>-</u>	<u>54,759</u>	<u>54,759</u>
Total investments reported on the fair value hierarchy	107,677,857	-	54,759	107,732,616
Cash and cash equivalents				<u>1,833,859</u>
Total investments				109,566,475
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>3,391,602</u>	<u>3,391,602</u>
Total	<u>\$ 107,677,857</u>	<u>\$ -</u>	<u>\$ 3,446,361</u>	<u>\$ 112,958,077</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.

Stock warrants, which are included in other investments in the table above, are valued using Level 3 inputs, based primarily on the estimation and allocation of enterprise value among the equity classes of each of the companies that issued the warrants using acceptable valuation approaches for privately held, early-stage companies, which the Society considers to be reasonable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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

	Other Investments	Beneficial Interest in Trust	Total
Balance September 30, 2020	\$ 52,243	\$ 2,508,005	\$ 2,560,248
Distributions/releases	(4,000)	(107,220)	(111,220)
Change in fair values	6,516	990,817	997,333
Balance September 30, 2021	<u>\$ 54,759</u>	<u>\$ 3,391,602</u>	<u>\$ 3,446,361</u>

NOTE 7 - INVESTMENT RETURN

The components of the Society's net investment gains in the accompanying consolidated statement of activities are as follows for the year ended September 30, 2021:

Interest and dividends	\$ 2,031,352
Net realized and unrealized gain on investments	<u>12,805,437</u>
	14,836,789
Less: investment advisory fees	<u>(295,710)</u>
Total	<u>\$ 14,541,079</u>

NOTE 8 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at September 30, 2021:

Furniture and fixtures	\$ 544,825
Equipment	4,840,376
Leasehold improvements	4,098,149
Software	<u>5,805,123</u>
	15,288,473
Less: accumulated depreciation and amortization	<u>(14,102,946)</u>
Total	<u>\$ 1,185,527</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, 2021, 401(k) expense totaled \$1,804,704, after application of forfeitures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE 10 - LEASES

The Society leases space for 46 offices throughout the United States through leases with terms expiring between fiscal 2022 and fiscal 2027 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 New York, New York, Chicago, Illinois, Newark, Delaware and Atlanta, Georgia under non-cancellable sublease agreements. The Chicago subleases is co-terminus with the respective lease. The New York, Newark and Atlanta subleases end December 31, 2021, December 31, 2022 and June 30, 2024, respectively.

Rent expense computed on the straight-line basis, totaled approximately \$6 million for the year ended September 30, 2021. The Society recorded a deferred rent liability at September 30, 2021 of \$2,050,170, the current portion of \$857,855 is reflected within other current liabilities on the consolidated statement of financial position, and a deferred rent receivable at September 30, 2021 of \$108,375, the current portion of \$100,696 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>
2022	\$ 5,990,673	\$ 609,958
2023	4,654,267	58,955
2024	3,473,617	7,461
2025	2,555,421	-
2026	1,973,431	-
Thereafter	995,171	-
Total	<u>\$ 19,642,580</u>	<u>\$ 676,374</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).

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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:

Year Ending September 30,	Research Grants and Fellowships	Institutional Clinician Training Awards	Total
2022	\$ 9,904,006	\$ 1,018,825	\$ 10,922,831
2023	3,770,828	1,018,825	4,789,653
2024	1,754,633	243,788	1,998,421
2025	793,495	-	793,495
2026	85,819	-	85,819
Total	<u>\$ 16,308,781</u>	<u>\$ 2,281,438</u>	<u>\$ 18,590,219</u>

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 2021.

In fiscal year 2021, the Society disbursed a total of \$755,118 through Fast Forward to funded entities under SRAs. Of these disbursements, \$549,575 is reflected within research expense on the consolidated statement of activities, and \$205,542 is reflected within prepaid expenses and other current assets on the consolidated statement of financial position. The total prepaid expense balance associated with the Fast Forward SRAs total \$567,026 as of September 30, 2021. Outstanding conditional funding commitments under these SRAs at September 30, 2021 totaled \$443,905, of which \$408,271 is expected to be satisfied in fiscal 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

NOTE 12 - RESTRICTED NET ASSETS

The Society's net assets with donor restrictions at September 30, 2021 are available for research, educational, and other purposes as follows:

Purpose	
Research	\$ 21,083,117
Client and community services	
General programs and services	7,372,562
Direct financial assistance	618,506
Pediatric and family services	234,453
Professional education	1,070,112
Other services and operational support	<u>2,497,981</u>
	32,876,731
Time restriction	2,290,102
Charitable gift annuities	1,016,837
Endowment funds subject to the Society's appropriation and satisfaction of donor restrictions:	
Held in perpetuity	16,924,386
Accumulated unspent earnings	<u>6,431,372</u>
Total	<u><u>\$ 59,539,428</u></u>

During fiscal year 2021, net assets were released following satisfaction of donor restrictions as follows:

Research	\$ 3,607,268
Client and community services	
General programs and services	3,543,117
Direct financial assistance	143,688
Wellness initiatives	112,468
Other programs and services	449,279
Professional education	<u>86,353</u>
	7,942,173
Time restriction	104,396
Accumulated unspent earnings	<u>487,141</u>
Total	<u><u>\$ 8,533,710</u></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.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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;
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, 2021:

Marilyn Hilton MS Achievement Center	\$ 14,524,636
General operations	4,038,695
Other services and programs	2,277,945
Research	1,456,334
Client and community services	
Direct financial assistance	1,058,148
Total	<u>\$ 23,355,758</u>

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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, 2021, a 7% spending rate on endowments was approved, exclusive of the endowment with the 3.5% guaranteed spending rate.

The following summarizes the activity of the endowment fund assets for the fiscal year ended September 30, 2021:

	With Donor Restrictions		
	Accumulated Earnings	Held in Perpetuity	Total
Year ended September 30, 2020	\$ 2,869,051	\$ 17,411,554	\$ 20,280,605
Contributions	-	211,969	211,969
Donor refund	(324,362)	(449,137)	(773,499)
Donor redesignation	(278,052)	(250,000)	(528,052)
Net realized and unrealized gain	4,644,725	-	4,644,725
Distributions	(612,840)	-	(612,840)
Advisory fees	(44,755)	-	(44,755)
Interest and dividends	446,012	-	446,012
Appropriation of endowment earnings	(268,407)	-	(268,407)
Year ended September 30, 2021	\$ 6,431,372	\$ 16,924,386	\$ 23,355,758

During the fiscal year 2021, \$773,499 of endowment funds were refunded to a donor and \$528,052 were redesignated by the donors to other purposes. These funds were restricted to programs which have been discontinued.

National Multiple Sclerosis Society and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021

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, 2021

Cash and cash equivalents	\$ 67,885,447
Contributions receivable, net	11,459,067
Other receivables	350,013
Investments	<u>83,523,066</u>
 Total financial assets available within one year	 <u>163,217,593</u>
 Less:	
Contractual, legal, or donor-imposed restrictions:	
Amounts subject to expenditure for specified purposes	(7,301,323)
Amounts subject to appropriation and satisfaction of donor restrictions	<u>(17,526,063)</u>
 Total amounts unavailable for general expenditures within one year	 <u>(24,827,386)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 138,390,207</u>

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 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 \$68 million (currently approximately 6 months of operating expenses) as of September 30, 2021, 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, 2021

	Society	Fast Forward LLC	Eliminations	Consolidated
ASSETS				
Current assets				
Cash and cash equivalents	\$ 67,885,447	\$ -	\$ -	\$ 67,885,447
Contributions receivable, net	11,459,067	-	-	11,459,067
Contributions receivable due from Fast Forward	5,670,938	-	(5,670,938)	-
Contributions receivable due from National MS Society	-	674,063	(674,063)	-
Investments	83,468,307	54,759	-	83,523,066
Prepaid expenses and other current assets	4,943,434	568,775	-	5,512,209
Total current assets	<u>173,427,193</u>	<u>1,297,597</u>	<u>(6,345,001)</u>	<u>168,379,789</u>
Contributions receivable, net	1,526,707	-	-	1,526,707
Property and equipment, net	1,185,527	-	-	1,185,527
Investments related to endowment	23,355,758	-	-	23,355,758
Investments related to charitable gift annuities	2,687,651	-	-	2,687,651
Beneficial interest	3,391,602	-	-	3,391,602
Other non-current assets	956,315	-	-	956,315
Total assets	<u><u>\$ 206,530,753</u></u>	<u><u>\$ 1,297,597</u></u>	<u><u>\$ (6,345,001)</u></u>	<u><u>\$ 201,483,349</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Grants payable	\$ 25,753,043	\$ -	\$ -	\$ 25,753,043
Accounts payable and accrued liabilities	12,851,339	-	-	12,851,339
Deferred revenue	5,792,357	-	-	5,792,357
Due to Progressive MS Alliance	7,301,323	-	-	7,301,323
Due to National MS Society	-	5,670,938	(5,670,938)	-
Due to Fast Forward	674,063	-	(674,063)	-
Other current liabilities	1,212,543	-	-	1,212,543
Total current liabilities	<u>53,584,668</u>	<u>5,670,938</u>	<u>(6,345,001)</u>	<u>52,910,605</u>
Deferred rent	1,192,315	-	-	1,192,315
Liability to annuitants	1,693,288	-	-	1,693,288
Other long-term liabilities	11,463,506	-	-	11,463,506
Total liabilities	<u>67,933,777</u>	<u>5,670,938</u>	<u>(6,345,001)</u>	<u>67,259,714</u>
Net assets (deficit)				
Without donor restrictions	79,057,548	(4,373,341)	-	74,684,207
With donor restrictions	59,539,428	-	-	59,539,428
Total net assets (deficit)	<u>138,596,976</u>	<u>(4,373,341)</u>	<u>-</u>	<u>134,223,635</u>
Total liabilities and net assets (deficit)	<u><u>\$ 206,530,753</u></u>	<u><u>\$ 1,297,597</u></u>	<u><u>\$ (6,345,001)</u></u>	<u><u>\$ 201,483,349</u></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, 2021

	Society	Fast Forward LLC	Eliminations	Consolidated
Operating revenue				
Public support				
Special events	\$ 81,645,294	\$ -	\$ -	\$ 81,645,294
Less: cost of direct benefits to donors	(8,105,004)	-	-	(8,105,004)
Net special events	73,540,290	-	-	73,540,290
Contributions from individuals, corporations, and foundations	51,915,026	-	-	51,915,026
Bequests and trust income	12,954,212	-	-	12,954,212
Contributed public service announcements, services, and goods	4,053,430	-	-	4,053,430
Total public support	142,462,958	-	-	142,462,958
Advertising, program fees, and other	3,087,110	-	-	3,087,110
Investment income designated for operations	3,014,286	-	-	3,014,286
Total operating revenue	148,564,354	-	-	148,564,354
Operating expenses				
Program services				
Research and scientific studies	27,777,332	1,021,460	-	28,798,792
Client and community services	38,651,674	-	-	38,651,674
Public education	31,593,883	-	-	31,593,883
Professional education and training	5,349,472	-	-	5,349,472
Total program services	103,372,361	1,021,460	-	104,393,821
Support services				
Fundraising	25,819,993	-	-	25,819,993
Management and general	11,970,284	-	-	11,970,284
Total supporting services	37,790,277	-	-	37,790,277
Total operating expenses	141,162,638	1,021,460	-	142,184,098
Change in net assets from operations	7,401,716	(1,021,460)	-	6,380,256
Nonoperating activities				
Investment returns, net	11,520,277	6,516	-	11,526,793
Change in fair value of beneficial interest in trusts	990,817	-	-	990,817
Change in value of split-interest agreements	212,441	-	-	212,441
Repayment of restricted contributions	(778,105)	-	-	(778,105)
Other non-operating income	59,766	-	-	59,766
Total nonoperating activities	12,005,196	6,516	-	12,011,712
CHANGE IN NET ASSETS	19,406,912	(1,014,944)	-	18,391,968
Net assets, beginning of year	119,190,064	(3,358,397)	-	115,831,667
Net assets, end of year	\$ 138,596,976	\$ (4,373,341)	\$ -	\$ 134,223,635

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