



MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

Consolidated Financial Statements

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)



**and
Report Thereon**



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

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For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying consolidated statement of financial position of the Multiple Sclerosis Association of America, Inc. (the Association) and Affiliates (collectively referred to as MSAA) as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of MSAA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the Affiliates of MSAA, which statements reflect total assets and revenue constituting 57% and 12%, respectively, of the related consolidated totals. The financial statements of the Affiliates of MSAA, as of June 30, 2012, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Affiliates, is based solely on the report of the other auditors. The prior year summarized comparative information has been derived from MSAA's consolidated financial statements for the year ended June 30, 2011, and, in our report dated November 9, 2011, we expressed an unqualified opinion on those consolidated financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MSAA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Multiple Sclerosis Association of America, Inc. and Affiliates as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information as of and for the year ended June 30, 2012, on pages 19 and 20, is presented for purposes of additional analysis of the consolidated financial

Continued

statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
November 12, 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,839,513	\$ 1,852,725
Pledges receivable, net	595,152	452,953
Accounts receivable	62,571	79,070
Prepaid expenses and other assets	87,641	72,897
Total Current Assets	2,584,877	2,457,645
Investments		
Restricted investments for charitable gift annuity program	300,000	300,000
Restricted cash and cash equivalents	1,738,181	1,571,282
Property and equipment, net	7,417,891	7,431,207
TOTAL ASSETS	\$ 14,670,290	\$ 14,242,390
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,125,806	\$ 855,787
Capital lease obligations, current portion	10,759	-
Note payable, current portion	6,760	6,315
Mortgage payable, current portion	47,778	43,573
Line of credit	851,492	851,492
Total Current Liabilities	2,042,595	1,757,167
Tenant security deposits	35,682	34,818
Capital lease obligations, net of current portion	36,179	-
Note payable, net of current portion	4,776	11,536
Mortgage payable, net of current portion	1,340,254	1,388,032
TOTAL LIABILITIES	3,459,486	3,191,553
Net Assets		
Unrestricted:		
General - Association	936,609	328,442
General - Affiliates	(18,480)	(189,857)
Board designated	1,800,000	1,800,000
Total Unrestricted	2,718,129	1,938,585
Temporarily restricted	8,492,675	9,112,252
TOTAL NET ASSETS	11,210,804	11,050,837
TOTAL LIABILITIES AND NET ASSETS	\$ 14,670,290	\$ 14,242,390

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT				
Contributions	\$ 5,752,553	\$ -	\$ 5,752,553	\$ 4,679,208
Donated materials, services and equipment	5,190,455	-	5,190,455	7,090,251
Grants and bequests	208,007	2,579,944	2,787,951	2,944,984
Rental income	1,975,778	-	1,975,778	1,935,611
Special events	156,903	-	156,903	142,014
Investment income	71,778	-	71,778	492,949
Miscellaneous income	64,044	-	64,044	57,788
Net assets released from restrictions:				
Satisfaction of program restrictions	3,199,521	(3,199,521)	-	-
TOTAL REVENUE AND SUPPORT	16,619,039	(619,577)	15,999,462	17,342,805
EXPENSES				
Program Services:				
Public education, referral and counseling	5,598,565	-	5,598,565	6,840,308
Patient services	5,040,650	-	5,040,650	4,209,927
Housing	1,837,376	-	1,837,376	1,762,762
Total Program Services	12,476,591	-	12,476,591	12,812,997
Supporting Services:				
Fundraising	2,107,964	-	2,107,964	1,860,218
General and administrative	1,254,940	-	1,254,940	1,979,482
Total Supporting Services	3,362,904	-	3,362,904	3,839,700
TOTAL EXPENSES	15,839,495	-	15,839,495	16,652,697
CHANGE IN NET ASSETS	779,544	(619,577)	159,967	690,108
NET ASSETS, BEGINNING OF YEAR	1,938,585	9,112,252	11,050,837	10,360,729
NET ASSETS, END OF YEAR	\$ 2,718,129	\$ 8,492,675	\$ 11,210,804	\$ 11,050,837

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)

	Program Services				Supporting Services				
	Public Education, Referral and Counseling	Patient Services	Housing	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	2012 Total	2011 Total
Public service announcements	\$ 4,399,914	\$ -	\$ -	\$ 4,399,914	\$ -	\$ 478,039	\$ 478,039	\$ 4,877,953	\$ 6,798,245
Patient assistance	236,234	2,692,070	2,375	2,930,679	-	-	-	2,930,679	2,604,019
Contract services	99,449	700,614	-	800,063	1,490,325	122,319	1,612,644	2,412,707	1,761,359
Salaries and wages	466,437	902,367	489,530	1,858,334	138,778	299,545	438,323	2,296,657	2,232,013
Postage, printing and mailing costs	95,482	338,036	240	433,758	255,971	64,233	320,204	753,962	780,510
Occupancy	31,924	17,084	533,403	582,411	7,400	22,463	29,863	612,274	605,073
Payroll taxes and fringe benefits	105,348	204,715	110,294	420,357	21,415	88,456	109,871	530,228	525,180
Depreciation and amortization	17,494	6,776	328,475	352,745	3,808	10,996	14,804	367,549	344,044
Professional fees and counseling	54,169	82,736	75,442	212,347	23,119	82,269	105,388	317,735	259,183
Interest	3,347	12,832	130,883	147,062	378	13,136	13,514	160,576	162,347
Licenses and fees	35,285	13,045	206	48,536	82,274	18,337	100,611	149,147	132,365
Office supplies and expenses	4,914	15,496	113,948	134,358	1,130	6,923	8,053	142,411	156,467
Bank and investment management fees	7,548	9,767	450	17,765	29,244	14,252	43,496	61,261	59,721
Travel	9,528	22,976	1,035	33,539	1,607	24,603	26,210	59,749	60,757
Special events	-	-	-	-	49,844	-	49,844	49,844	51,800
Miscellaneous	8,828	571	45,956	55,355	8	896	904	56,259	59,031
Telephone	5,781	15,561	77	21,419	2,467	2,663	5,130	26,549	23,677
Data processing and list costs	2,169	6,004	98	8,271	196	4,895	5,091	13,362	12,947
Advertising	6,830	-	4,964	11,794	-	915	915	12,709	12,732
Publications	7,884	-	-	7,884	-	-	-	7,884	11,227
TOTAL EXPENSES	<u>\$ 5,598,565</u>	<u>\$ 5,040,650</u>	<u>\$ 1,837,376</u>	<u>\$ 12,476,591</u>	<u>\$ 2,107,964</u>	<u>\$ 1,254,940</u>	<u>\$ 3,362,904</u>	<u>\$ 15,839,495</u>	<u>\$ 16,652,697</u>

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 159,967	\$ 690,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	367,549	344,044
Net realized and unrealized losses (gains) on investments	31,079	(402,227)
Donated stock	(102,232)	-
Changes in assets and liabilities:		
Pledges receivable	(142,199)	(76,620)
Accounts receivable	16,499	(14,768)
Prepaid expenses and other assets	(14,744)	2,995
Accounts payable and accrued expenses	270,019	(225,151)
Tenant security deposits	864	(1,876)
	586,802	316,505
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,230,353)	(1,594,059)
Proceeds from sales of investments	2,154,421	2,106,669
Deposits to restricted cash for replacement reserves and interest	(166,899)	(306,622)
Purchases and construction of property and equipment	(296,706)	(179,438)
	(539,537)	26,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(10,589)	(11,045)
Principal payments on mortgage payable	(43,573)	(39,737)
Principal payment on note payable	(6,315)	(5,901)
Proceeds from drawdowns on line of credit	-	200,000
	(60,477)	143,317
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,212)	486,372
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,852,725	1,366,353
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,839,513	\$ 1,852,725
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	\$ 160,576	\$ 162,347
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment purchased under a capital lease	(57,527)	-
Obligation incurred under a capital lease	57,527	-
	\$ -	\$ -

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

Principles of Consolidation

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

Cash and Cash Equivalents

MSAA considers all money market funds to be cash equivalents.

Investments

Investments are composed of equity mutual funds, fixed-income mutual funds, inflation hedges, and equity securities and are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value of Financial Instruments

Financial Accounting Standards Board Accounting Standards Codification Topic, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, MSAA has categorized its applicable financial instruments into a required fair value hierarchy.

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

Fair Value of Financial Instruments (continued)

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

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

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

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

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

As of June 30, 2012, only MSAA's investments, as described in Note 3, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC.

Pledges Receivable

MSAA reports unconditional promises to give as contributions revenue at their estimated net realizable value on the date of donation. All pledges are expected to be collected in less than one year and are considered fully collectible. Accrued expenses include the costs related to the solicitation of pledges receivable.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the respective assets, which range from five to seven years for furniture and equipment and 30 to 40 years for buildings. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

Property and Equipment and Related Depreciation and Amortization (continued)

maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.

MSAA reviews long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then the recorded amount of the assets will be reduced to their fair value. There was no impairment loss recognized for the year ended June 30, 2012.

Classification of Net Assets

MSAA's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of MSAA's operations. Also included in unrestricted net assets are \$300,000 of funds for the charitable gift annuity program and \$1,500,000 of funds designated by the Board of Directors to serve as a working capital reserve.
- Temporarily restricted net assets represent funds that are specifically restricted by donors and HUD for use in various programs.

Revenue Recognition

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

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

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

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

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

capital advances will be released from temporarily restricted net assets upon the expiration of the 40-year term of the agreements, which will occur between 2033 and 2039.

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

Donated Materials, Services and Equipment

The Association records various donated materials, services and equipment, which include public service announcements and the Google AdWords campaign. Donated services are recognized at fair value if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated materials and equipment are recognized at fair value when received. The amounts reflected in the accompanying consolidated statement of activities as donated materials, services and equipment are offset by like amounts included in the accompanying consolidated statement of functional expenses as public service announcements, and patient assistance based on the functional areas benefited.

Functional Allocation of Expenses

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

Estimates

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

2. Investments

As of June 30, 2012, the Association's investments, including amounts restricted for the charitable gift annuity program, consisted of the following:

Equity mutual funds	\$ 1,484,563
Fixed-income mutual funds	1,216,297
Inflation hedges	223,149
Equity securities	<u>5,332</u>
Total	<u>\$ 2,929,341</u>

Investment returns are summarized as follows for the year ended June 30, 2012:

Unrealized losses	\$ (194,979)
Realized gains	163,900
Interest and dividends	<u>95,976</u>
Total	<u>\$ 64,897</u>

Also included in investment income in the accompanying consolidated statement of activities is \$6,881 of interest income earned on cash and cash equivalents.

3. Fair Value Measurements

The following table summarizes MSAA's assets measured at fair value on a recurring basis as of June 30, 2012:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equity mutual funds:				
Large cap	\$ 956,617	\$ 956,617	\$ -	\$ -
International	487,884	487,884	-	-
Small cap	34,312	34,312	-	-

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

3. Fair Value Measurements (continued)

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds (continued):				
Mid cap	5,750	5,750	-	-
Fixed-income mutual funds:				
Intermediate term	793,384	793,384	-	-
High yield	215,797	215,797	-	-
International	207,116	207,116	-	-
Inflation hedges	223,149	223,149	-	-
Equity securities:				
Services	4,582	4,582	-	-
Technology	<u>750</u>	<u>750</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,929,341</u>	<u>\$ 2,929,341</u>	<u>\$ -</u>	<u>\$ -</u>

4. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent amounts required to be maintained in accordance with regulatory agreements with HUD for the replacement of property and other expenditures, as approved by HUD. As of June 30, 2012, \$1,738,181 is included in restricted cash and cash equivalents in the accompanying consolidated statement of financial position in accordance with the terms of these agreements.

Continued

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

5. Property and Equipment and Related Depreciation and Amortization

MSAA held the following property and equipment as of June 30, 2012:

Land		\$ 737,672
Buildings and improvements		10,458,926
Furniture, fixtures and equipment		<u>1,188,378</u>
Total Property and Equipment		12,384,976
Less: Accumulated Depreciation		<u>(4,967,085)</u>
Property and Equipment, Net		<u>\$ 7,417,891</u>

Depreciation and amortization expense was \$367,549 for the year ended June 30, 2012.

6. Mortgage Payable

As of June 30, 2012, the mortgage payable represents a 30-year building loan provided by HUD. The original amount of the mortgage was \$1,835,800. The mortgage note, which is collateralized by MSH's apartment complex, is payable in monthly installments of \$14,415, including principal and interest, at an annual rate of 9.25% through November 2026. During the year ended June 30, 2012, interest expense under this mortgage was \$130,272.

The schedule of future principal payments under the note is as follows as of June 30, 2012:

	For the Year Ending <u>June 30,</u>	
2013		\$ 47,778
2014		52,390
2015		57,447
2016		62,992
2017		69,074
Thereafter		<u>1,098,351</u>
Total Mortgage Payable		1,388,032
Less: Current Portion		<u>(47,778)</u>
Noncurrent Portion		<u>\$ 1,340,254</u>

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

7. Temporarily Restricted Net Assets

As of June 30, 2012, temporarily restricted net assets are available for the following purposes:

Housing	\$ 6,853,200
Patient services	<u>1,639,475</u>
Total	<u>\$ 8,492,675</u>

8. Commitments and Contingencies

Concentrations of Risk

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

Concentrations of Risk (continued)

MCAA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2012, MCAA had \$1,643,078 composed of demand deposits and savings and money market accounts, which exceeded the maximum limit insured by the FDIC by approximately \$200,000. MCAA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

8. Commitments and Contingencies (continued)

Capital Leases

MSAA leases two copiers, which have been capitalized and included in property and equipment in the accompanying consolidated statement of financial position at a cost of \$57,526, with accumulated amortization of \$11,505 as of June 30, 2012. Interest expense paid on these capital leases was \$843 for the year ended June 30, 2012. Future minimum lease payments under the capital lease are as follows:

<u>For the Year Ending June 30,</u>	
2013	\$ 11,431
2014	11,431
2015	11,431
2016	11,431
2017	<u>2,858</u>
Total Future Minimum Lease Payments	48,582
Less: Amount Representing Interest	<u>(1,644)</u>
Present Value of Net Minimum Lease Payments	46,938
Less: Current Portion	<u>(10,759)</u>
Noncurrent Portion	<u>\$ 36,179</u>

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

8. Commitments and Contingencies (continued)

Note Payable

The Association has a loan for \$31,000 for its telephone system. The loan term is 60 months and expires in February 2014. The interest rate is 6.75%. The telephone system is included in property and equipment at a cost of \$31,750, with accumulated depreciation of \$21,167. Interest expense paid on this note payable was \$1,030 for the year ended June 30, 2012. As of June 30, 2012, the future minimum payments are as follows:

For the Year Ending June 30,		
2013	\$	7,344
2014		4,896
Total Future Minimum Lease Payments		12,240
Less: Amount Representing Interest		(704)
Present Value of Net Minimum Lease Payments		11,536
Less: Current Portion		(6,760)
Noncurrent Portion	\$	4,776

Line of Credit

The Association has a \$2,000,000 revolving line of credit with a bank that is secured by the Association's investments held at the bank. The interest rate is calculated using the bank's commercial rate index, which, as of June 30, 2012, was 3.25%. The line of credit is due upon demand. As of June 30, 2012, \$851,492 was outstanding on the line of credit. Interest expense incurred on this line of credit during the year ended June 30, 2012 was \$28,431.

9. Donated Materials, Services and Equipment

During the year ended June 30, 2012, the Association received the following in-kind contributions, which were recorded at their estimated fair value on the date of donation:

Public service announcements	\$ 4,877,953
Google AdWords campaign	312,449
Other	53
Total	\$ 5,190,455

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

9. Donated Materials, Services and Equipment (continued)

The donated material, services, and equipment are recorded within public education, referral and counseling, general and administrative, and patient services in the accompanying consolidated statement of activities.

MSAA's programs are also furthered through the contribution of time from unpaid volunteers. For the year ended June 30, 2012, volunteers have contributed more than 1,779 hours to MSAA's program services. These donated services are not reflected in the accompanying consolidated statement of activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

10. Allocation of Joint Costs

For the year ended June 30, 2012, MSAA incurred joint costs for direct mail campaigns, special events and telemarketing activities, all of which included fundraising appeals. These joint costs have been included in contract services; data processing and list costs; and postage, printing and mailing costs in the accompanying consolidated statement of functional expenses. Those joint costs are allocated as follows:

Fundraising	\$ 1,443,553
Patient services	1,026,161
Public education, referral and counseling	188,301
General and administrative	<u>180,130</u>
Total	<u>\$ 2,838,145</u>

11. Pension Plan

MSAA has a noncontributory defined contribution retirement plan that is available to all employees who have completed one year of service and attained 21 years of age. Employer contributions are made to the plan according to an employee's years of service based on percentages, as defined in the plan document. An employee is vested in the employer contributions according to the employee's years of service with MSAA, as defined in the plan document. During the year ended June 30, 2012, MSAA contributed \$49,074 to the plan.

Continued

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Association and its Affiliates are exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2012, no provision for income taxes was made, as the Association and its Affiliates had no net unrelated business income.

MSAA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. MSAA performed an evaluation of uncertain tax positions for the year ended June 30, 2012, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2012, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which MSAA files tax returns. It is MSAA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

13. Prior Year Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSAA's consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

14. Subsequent Events

In preparing these consolidated financial statements, MSAA has evaluated events and transactions for potential recognition or disclosure through November 12, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2012**

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 1,762,016	\$ 40,081	\$ 20,162	\$ 1,406	\$ 3,416	\$ 12,432	\$ 1,839,513	\$ -	\$ 1,839,513
Pledges receivable, net	595,152	-	-	-	-	-	595,152	-	595,152
Accounts receivable	36,867	17,477	3,634	52	3,946	595	62,571	-	62,571
Due from affiliates	8,102	-	-	-	-	-	8,102	(8,102)	-
Prepaid expenses and other assets	24,671	17,832	13,626	-	15,517	15,995	87,641	-	87,641
Total Current Assets	2,426,808	75,390	37,422	1,458	22,879	29,022	2,592,979	(8,102)	2,584,877
Investments									
Restricted investments for charitable gift annuity program	300,000	-	-	-	-	-	300,000	-	300,000
Restricted cash and cash equivalents	-	453,993	449,724	45,670	351,472	437,322	1,738,181	-	1,738,181
Property and equipment, net	915,817	1,257,961	1,553,062	712,768	1,319,310	1,658,973	7,417,891	-	7,417,891
TOTAL ASSETS	\$ 6,271,966	\$ 1,787,344	\$ 2,040,208	\$ 759,896	\$ 1,693,661	\$ 2,125,317	\$ 14,678,392	\$ (8,102)	\$ 14,670,290
LIABILITIES AND NET ASSETS									
Current Liabilities									
Accounts payable and accrued expenses	\$ 983,433	\$ 43,797	\$ 26,670	\$ 13,764	\$ 42,674	\$ 23,570	\$ 1,133,908	\$ (8,102)	\$ 1,125,806
Capital lease obligations, current portion	10,759	-	-	-	-	-	10,759	-	10,759
Note payable, current portion	6,760	-	-	-	-	-	6,760	-	6,760
Mortgage payable, current portion	-	47,778	-	-	-	-	47,778	-	47,778
Line of credit	851,492	-	-	-	-	-	851,492	-	851,492
Total Current Liabilities	1,852,444	91,575	26,670	13,764	42,674	23,570	2,050,697	(8,102)	2,042,595
Tenant security deposits	2,483	10,904	5,875	2,966	6,883	6,571	35,682	-	35,682
Capital lease obligations, net of current portion	36,179	-	-	-	-	-	36,179	-	36,179
Note payable, net of current portion	4,776	-	-	-	-	-	4,776	-	4,776
Mortgage payable, net of current portion	-	1,340,254	-	-	-	-	1,340,254	-	1,340,254
TOTAL LIABILITIES	1,895,882	1,442,733	32,545	16,730	49,557	30,141	3,467,588	(8,102)	3,459,486
Net Assets									
Unrestricted									
General	936,609	344,611	(47,237)	(191,534)	23,404	(147,724)	918,129	-	918,129
Board designated	1,800,000	-	-	-	-	-	1,800,000	-	1,800,000
Total Unrestricted	2,736,609	344,611	(47,237)	(191,534)	23,404	(147,724)	2,718,129	-	2,718,129
Temporarily restricted	1,639,475	-	2,054,900	934,700	1,620,700	2,242,900	8,492,675	-	8,492,675
TOTAL NET ASSETS	4,376,084	344,611	2,007,663	743,166	1,644,104	2,095,176	11,210,804	-	11,210,804
TOTAL LIABILITIES AND NET ASSETS	\$ 6,271,966	\$ 1,787,344	\$ 2,040,208	\$ 759,896	\$ 1,693,661	\$ 2,125,317	\$ 14,678,392	\$ (8,102)	\$ 14,670,290

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
REVENUE AND SUPPORT									
Contributions	\$ 5,752,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,752,553	\$ -	\$ 5,752,553
Donated materials, services and equipment	5,190,455	-	-	-	-	-	5,190,455	-	5,190,455
Grants and bequests	2,787,951	-	-	-	-	-	2,787,951	-	2,787,951
Rental income	73,030	745,535	310,109	134,372	325,181	387,551	1,975,778	-	1,975,778
Special events	156,903	-	-	-	-	-	156,903	-	156,903
Investment income	66,429	1,309	1,195	171	1,405	1,269	71,778	-	71,778
Miscellaneous income	53,579	2,468	2,123	1,109	2,839	1,926	64,044	-	64,044
TOTAL REVENUE AND SUPPORT	14,080,900	749,312	313,427	135,652	329,425	390,746	15,999,462	-	15,999,462
EXPENSES									
Program Services:									
Public education, referral and counseling	5,598,565	-	-	-	-	-	5,598,565	-	5,598,565
Patient services	5,040,650	-	-	-	-	-	5,040,650	-	5,040,650
Housing	90,191	598,878	317,042	171,318	310,142	349,805	1,837,376	-	1,837,376
Total Program Services	10,729,406	598,878	317,042	171,318	310,142	349,805	12,476,591	-	12,476,591
Supporting Services:									
Fundraising	2,107,964	-	-	-	-	-	2,107,964	-	2,107,964
General and administrative	1,254,940	-	-	-	-	-	1,254,940	-	1,254,940
Total Supporting Services	3,362,904	-	-	-	-	-	3,362,904	-	3,362,904
TOTAL EXPENSES	14,092,310	598,878	317,042	171,318	310,142	349,805	15,839,495	-	15,839,495
CHANGE IN NET ASSETS	(11,410)	150,434	(3,615)	(35,666)	19,283	40,941	159,967	-	159,967
NET ASSETS, BEGINNING OF YEAR	4,387,494	194,177	2,011,278	778,832	1,624,821	2,054,235	11,050,837	-	11,050,837
NET ASSETS, END OF YEAR	\$ 4,376,084	\$ 344,611	\$ 2,007,663	\$ 743,166	\$ 1,644,104	\$ 2,095,176	\$ 11,210,804	\$ -	\$ 11,210,804