



MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

Consolidated Financial Statements

For the Year Ended June 30, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)



**and
Report Thereon**



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

TABLE OF CONTENTS

Page

Independent Auditor's Report.....	1-2
Financial Statements	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-16
Supplemental Consolidating Information	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities.....	18



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. and Affiliates (MSAA) as of June 30, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of MSAA's management. Our responsibility is to express an opinion on these 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 59% and 12%, respectively, of the related consolidated totals. The financial statements of the affiliates of MSAA, as of June 30, 2009, 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, 2008, and, in our report dated November 5, 2008, 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 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 controls 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2009, 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 basic consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the year ended June 30, 2009 on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "RAFFA, P.C.", with a stylized flourish.

RAFFA, P.C.

Washington, DC
November 13, 2009

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Summarized Financial Information as of June 30, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,470,360	\$ 2,429,941
Pledges receivable, net	509,302	601,778
Accounts receivable	54,043	41,473
Prepaid expenses and other assets	<u>104,288</u>	<u>85,134</u>
Total Current Assets	2,137,993	3,158,326
Investments	2,227,856	2,678,951
Restricted investments for charitable gift annuity program	300,000	300,000
Restricted cash and cash equivalents	1,177,621	1,024,182
Property and equipment, net	<u>7,592,055</u>	<u>7,688,905</u>
TOTAL ASSETS	<u>\$ 13,435,525</u>	<u>\$ 14,850,364</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,924,698	\$ 1,974,714
Capital lease obligations, current portion	5,990	13,730
Note payable, current portion	5,512	-
Mortgage payable, current portion	36,239	33,050
Line of credit	<u>258,053</u>	<u>365,572</u>
Total Current Liabilities	2,230,492	2,387,066
Tenant security deposits	35,912	35,607
Capital lease obligations, net of current portion	6,579	13,292
Note payable, net of current portion	23,752	-
Mortgage payable, net of current portion	<u>1,471,342</u>	<u>1,507,580</u>
TOTAL LIABILITIES	<u>3,768,077</u>	<u>3,943,545</u>
Net Assets		
Unrestricted		
General - Headquarters	(144,585)	1,007,818
General - Affiliates	(573,998)	(732,478)
Board designated	<u>1,800,000</u>	<u>1,800,000</u>
Total Unrestricted	1,081,417	2,075,340
Temporarily restricted	<u>8,586,031</u>	<u>8,831,479</u>
TOTAL NET ASSETS	<u>9,667,448</u>	<u>10,906,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,435,525</u>	<u>\$ 14,850,364</u>

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, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 5,300,875	\$ 2,306,163	\$ 7,607,038	\$ 8,399,821
Donated materials, services and equipment	3,921,745	-	3,921,745	1,582,273
Grants and bequests	2,420,454	-	2,420,454	2,295,326
Rental income	1,820,536	-	1,820,536	1,751,395
Investment income (loss)	(461,729)	-	(461,729)	73,339
Miscellaneous income	90,485	-	90,485	176,894
Special events	88,460	-	88,460	100,574
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>2,551,611</u>	<u>(2,551,611)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>15,732,437</u>	<u>(245,448)</u>	<u>15,486,989</u>	<u>14,379,622</u>
EXPENSES				
Program Services				
Patient services	5,802,139	-	5,802,139	5,711,440
Public education, referral & counseling	4,283,866	-	4,283,866	2,415,473
Housing	<u>1,728,474</u>	<u>-</u>	<u>1,728,474</u>	<u>1,753,793</u>
Total Program Services	<u>11,814,479</u>	<u>-</u>	<u>11,814,479</u>	<u>9,880,706</u>
Supporting Services				
Fundraising	2,752,260	-	2,752,260	2,565,609
General and administrative	<u>2,159,621</u>	<u>-</u>	<u>2,159,621</u>	<u>1,575,001</u>
Total Supporting Services	<u>4,911,881</u>	<u>-</u>	<u>4,911,881</u>	<u>4,140,610</u>
TOTAL EXPENSES	<u>16,726,360</u>	<u>-</u>	<u>16,726,360</u>	<u>14,021,316</u>
Change in Net Assets	(993,923)	(245,448)	(1,239,371)	358,306
NET ASSETS, BEGINNING OF YEAR	<u>2,075,340</u>	<u>8,831,479</u>	<u>10,906,819</u>	<u>10,548,513</u>
NET ASSETS, END OF YEAR	<u>\$ 1,081,417</u>	<u>\$ 8,586,031</u>	<u>\$ 9,667,448</u>	<u>\$ 10,906,819</u>

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, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)

	Program Services			Supporting Services			2009 Total	2008 Total	
	Patient Services	Public Education Referral, & Counseling	Housing	Total Program Services	Fundraising	General and Administrative			Total Supporting Services
Contract services	\$ 1,621,034	\$ 291,226	\$ -	\$ 1,912,260	\$ 2,242,492	\$ 235,896	\$ 2,478,388	\$ 4,390,648	\$ 4,581,211
Public service announcements	-	3,068,536	-	3,068,536	-	850,912	850,912	3,919,448	1,545,878
Patient assistance	2,538,309	294,936	9,992	2,843,237	-	-	-	2,843,237	2,610,472
Salaries and wages	1,058,737	326,068	439,837	1,824,642	224,612	601,911	826,523	2,651,165	2,401,764
Occupancy	19,818	37,500	558,051	615,369	7,335	23,201	30,536	645,905	643,860
Payroll taxes and fringe benefits	255,629	81,450	105,108	442,187	47,268	146,419	193,687	635,874	627,832
Depreciation and amortization	7,542	22,580	282,285	312,407	4,133	11,792	15,925	328,332	323,408
Licenses and fees	139,858	20,679	170	160,707	78,036	61,325	139,361	300,068	101,896
Professional fees/counseling	51,733	31,847	45,114	128,694	5,376	83,776	89,152	217,846	275,829
Interest	5,264	1,445	141,159	147,868	107	6,482	6,589	154,457	173,148
Office supplies and expenses	22,604	6,158	98,820	127,582	2,330	16,642	18,972	146,554	173,189
Postage, printing and mailing costs	20,498	15,655	164	36,317	62,615	46,656	109,271	145,588	178,778
Miscellaneous	11,542	8,160	41,918	61,620	3,698	8,207	11,905	73,525	101,925
Travel	18,572	8,171	757	27,500	5,926	26,411	32,337	59,837	58,871
Bank and investment management fees	8,686	6,041	377	15,104	22,654	21,642	44,296	59,400	61,510
Special events	-	-	-	-	42,059	-	42,059	42,059	29,498
Publications	-	38,665	-	38,665	-	-	-	38,665	47,895
Telephone	16,992	4,859	117	21,968	2,841	7,820	10,661	32,629	34,324
Advertising	897	18,364	4,516	23,777	254	3,648	3,902	27,679	22,534
Data processing and list costs	4,424	1,526	89	6,039	524	6,881	7,405	13,444	27,494
TOTAL EXPENSES	\$ 5,802,139	\$ 4,283,866	\$ 1,728,474	\$ 11,814,479	\$ 2,752,260	\$ 2,159,621	\$ 4,911,881	\$ 16,726,360	\$ 14,021,316

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, 2009

Increase (Decrease) in Cash and Cash Equivalents

(With Summarized Financial Information for the Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,239,371)	\$ 358,306
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	328,332	323,408
Net unrealized and realized losses on investments	583,203	88,152
Loss on exchange of leased assets	3,328	-
Changes in assets and liabilities		
Pledges receivable	92,476	(49,833)
Accounts receivable	(12,570)	20,643
Prepaid expenses and other assets	(19,154)	(241)
Accounts payable and accrued expenses	(50,016)	448,959
Tenant security deposits	305	(151)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(313,467)</u>	<u>1,189,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,167,079)	(733,106)
Proceeds from sales of investments	2,034,971	687,243
Deposits to restricted cash for replacement reserves and interest	(153,439)	(219,423)
Purchases and construction of property and equipment	<u>(234,810)</u>	<u>(223,626)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(520,357)</u>	<u>(488,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(14,453)	(11,172)
Proceeds from note payable	31,000	-
Principal payment on note payable	(1,736)	-
Principal payments on mortgage payable	(33,049)	(30,140)
Principal payments on line of credit	<u>(107,519)</u>	<u>(85,136)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(125,757)</u>	<u>(126,448)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(959,581)	573,883
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,429,941</u>	<u>1,856,058</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,470,360</u>	<u>\$ 2,429,941</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	<u>\$ 154,457</u>	<u>\$ 173,148</u>

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, 2009

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 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), Multiple Sclerosis Handicapped Housing, Inc. (MSHH), MSAA Housing for the Disabled, Inc. (MSAA HFD), MSAA Housing for Independent Living, Inc. (MSAA HIL) and MSAA Jacksonville, Inc., (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 Affiliates (collectively referred to as MSAA) have been prepared on the accrual basis of accounting and include the accounts of the Multiple Sclerosis Association of America, Inc. and its affiliates; Multiple Sclerosis Housing, Inc.; Multiple Sclerosis Handicapped Housing, Inc.; MSAA Housing for the Disabled, Inc.; MSAA Housing for Independent Living, Inc.; and MSAA Jacksonville, Inc. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

MSAA considers all money market funds to be cash equivalents.

Investments

Investments are comprised of bond and equity mutual funds 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 Measurement

Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with SFAS No.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

Fair Value Measurement (continued)

157, MSAA has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For MSAA, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that MSAA has the ability to access (Level 1). As of and for the year ended June 30, 2009, only MSAA's investments, as described in Note 2 of these consolidated financial statements, were measured at fair value on a recurring basis and subject to SFAS 157.

Pledges Receivable

MSAA reports unconditional promises to give as contributions. All pledges are expected to be collected in less than one year and are recorded at the estimated amount to be ultimately realized. 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 thirty to forty years for the buildings. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.

Classification of Net Assets

The net assets of MSAA 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 the U.S. Department of Housing and Urban Development (HUD) for use in various programs.

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

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 statement of activities as net assets released from restrictions.

MSAA receives capital advances from HUD under Section 811 of the National Affordable Housing Act of 1996. These advances are reported as temporarily restricted support when received. The capital advances bear no interest and are not required to be repaid as long as the housing remains available to disabled persons for at least forty years. Failure to keep the housing available to disabled persons would result in HUD billing the owner for the entire capital advance outstanding plus interest since the date of the first advance. The entire amount of the capital advances will be released from temporarily restricted net assets upon the expiration of the 40-year term of the agreements, which range from the years 2033 to 2039.

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

Donated Materials, Services and Equipment

Donated materials, services and equipment are recorded as revenue and expenses at their estimated fair value at the date of donation. Donations include the value of public service announcements by various media and are included in public service announcements in the accompanying consolidated statement of functional expenses based on the functional areas benefited.

MSAA's programs are also furthered through the contribution of time from unpaid volunteers. For the year ended June 30, 2009, volunteers have contributed over 7,887 hours to MSAA's program services. These 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.

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

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

2. Investments

As of June 30, 2009, MSAA has valued all of its investments using quoted prices in active markets for identical assets (Level 1 as described in Note 1 to these consolidated financial statements).

As of June 30, 2009, MSAA's investments, including amounts restricted for the charitable gift annuity program, consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity mutual funds	\$1,624,684	\$1,617,565
Bond mutual funds	<u>879,127</u>	<u>910,291</u>
	<u>\$2,503,811</u>	<u>\$2,527,856</u>

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

2. Investments (continued)

Investment returns are summarized as follows for the year ended June 30, 2009:

Net unrealized and realized losses	\$ (583,203)
Interest and dividends	<u>96,689</u>
Total	<u>\$ (486,514)</u>

Also included in investment income (loss) in the accompanying consolidated statement of activities is \$24,785 of interest income earned on cash and cash equivalents.

3. 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, 2009, \$1,177,621 is included in restricted cash and cash equivalents in the accompanying consolidated statement of financial position in accordance with the terms of these agreements.

4. Property, Equipment and Accumulated Depreciation and Amortization

MSAA held the following property and equipment as of June 30, 2009:

Land	\$ 732,597
Buildings and improvements	9,885,816
Furniture, fixtures and equipment	<u>925,876</u>
Total property and equipment	11,544,289
Less: accumulated depreciation	<u>3,952,234</u>
Property and equipment, net	<u>\$7,592,055</u>

Depreciation and amortization expense was \$328,332 for the year ended June 30, 2009.

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

5. Mortgage Payable

The mortgage payable as of June 30, 2009, represents a thirty-year building loan provided by HUD. The original amount of the mortgage was \$1,835,800. The mortgage note, collateralized by Multiple Sclerosis Housing, Inc.'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. The building, including improvements, is included in net property and equipment at a value of \$990,551.

The schedule of future principal payments under the note is as follows as of June 30, 2009:

For the Year Ending <u>June 30,</u>	
2010	\$ 36,239
2011	39,737
2012	43,573
2013	47,778
2014	52,390
Thereafter	<u>1,287,864</u>
Total mortgage payable	1,507,581
Less: current portion	<u>(36,239)</u>
Non-current portion	<u>\$ 1,471,342</u>

6. Temporarily Restricted Net Assets

As of June 30, 2009, temporarily restricted net assets are available for the following purposes:

Housing	\$ 6,853,200
Patient Services	<u>1,732,831</u>
	<u>\$ 8,586,031</u>

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

7. Commitments and Contingencies

Concentration of Risk

The operations of each of MSAA's affiliates are concentrated in the multi-family real estate market. In addition, these 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.

Concentration of Credit Risk

MSAA's cash is comprised of amounts in accounts at various financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, MSAA has not experienced, nor does it anticipate, any losses on its funds. At June 30, 2009, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 and the SIPC limit of \$500,000 was \$160,726.

Capital Leases

MSAA leases its copier under a capital lease, which expires in June 2011. The leased equipment is included in property and equipment at a cost of \$27,531 with accumulated depreciation of \$16,519. As of June 30, 2009, the future minimum lease payments due under the leases are as follows:

For the Year Ending <u>June 30,</u>	
2010	\$ 6,913
2011	<u>6,915</u>
Total future minimum lease payments	13,828
Less: amount representing interest	(1,259)
Present value of net minimum lease payments	12,569
Less: current portion	<u>(5,990)</u>
Non-current portion	<u>\$ 6,579</u>

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

7. Commitments and Contingencies (continued)

Note Payable

MSAA has entered into a loan for \$31,000 for the purchase of a new telephone system. The loan term is 60 months and expires in February 2014. The interest rate is 6.75%. The equipment is included in property and equipment at a cost of \$31,750 with accumulated depreciation of \$2,117. As of June 30, 2009, the future minimum payments are as follows:

For the Year Ending <u>June 30,</u>	
2010	\$ 7,344
2011	7,344
2012	7,344
2013	7,344
2014	<u>4,896</u>
Total future minimum lease payments	34,272
Less: amount representing interest	<u>(5,008)</u>
Present value of net minimum lease payments	29,264
Less: current portion	<u>(5,512)</u>
Non-current portion	<u>\$ 23,752</u>

Line of Credit

MSAA has a \$1,250,000 revolving line of credit with a bank that is secured by MSAA's investments held at the bank. The line of credit expires on April 30, 2010. The interest rate is calculated with the bank's commercial rate index which, as of June 30, 2009, was 2.32%. The line of credit is due upon demand. As of June 30, 2009, \$258,053 was outstanding on the line of credit.

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

8. Allocation of Joint Costs

For the year ended June 30, 2009, MSAA incurred joint costs for direct mail campaigns, special events and telemarketing activities, which included fundraising appeals. These joint costs have been included in contract services and data processing and list costs in the accompanying consolidated statement of functional expenses and are allocated as follows:

Fundraising	\$ 2,243,016
Patient Services	1,625,458
Public Education, Referral & Counseling	292,752
General and Administrative	242,777
Housing	<u>89</u>
	<u>\$ 4,404,092</u>

9. 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 the employee's years of service based on percentages, as defined in the plan document. Employees are 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, 2009, MSAA contributed \$67,605 to the Plan.

10. 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, 2009, no provision for income taxes was made, as the Association and its affiliates had no net unrelated business income.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Association and its affiliates have elected to defer the application of Interpretation 48 for the year ended June 30, 2009. The Association

Continued

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

10. Income Taxes (continued)

and its affiliates evaluate their uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

11. 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, 2008, from which the summarized information was derived.

12. Subsequent Events

In preparing these consolidated financial statements, MSAA has evaluated events and transactions for potential recognition or disclosure through November 13, 2009, the date the consolidated financial statements were available for issue.

SUPPLEMENTAL INFORMATION

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2009

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 1,414,067	\$ 21,472	\$ 12,601	\$ 441	\$ 2,334	\$ 19,445	\$ 1,470,360	\$ -	\$ 1,470,360
Pledges receivable, net	509,302	-	-	-	-	-	509,302	-	509,302
Accounts receivable	32,746	15,500	204	-	2,442	3,151	54,043	-	54,043
Due from affiliates	9,126	-	-	-	-	-	9,126	9,126	-
Prepaid expenses and other assets	36,476	18,967	14,667	-	20,403	13,775	104,288	-	104,288
Total Current Assets	2,001,717	55,939	27,472	441	25,179	36,371	2,147,119	9,126	2,137,993
Investments	2,227,856	-	-	-	-	-	2,227,856	-	2,227,856
Restricted investments for charitable gift annuity program	300,000	-	-	-	-	-	300,000	-	300,000
Restricted cash and cash equivalents	-	237,150	313,465	46,124	354,738	226,144	1,177,621	-	1,177,621
Property and equipment, net	954,648	1,202,684	1,661,824	776,053	1,229,327	1,767,519	7,592,055	-	7,592,055
TOTAL ASSETS	\$ 5,484,221	\$ 1,495,773	\$ 2,002,761	\$ 822,618	\$ 1,609,244	\$ 2,030,034	\$ 13,444,651	\$ 9,126	\$ 13,435,525
LIABILITIES AND NET ASSETS									
Current Liabilities									
Accounts payable and accrued expenses	\$ 1,791,406	\$ 46,204	\$ 15,248	\$ 20,168	\$ 32,185	\$ 28,613	\$ 1,933,824	\$ 9,126	\$ 1,924,698
Capital lease obligations, current portion	5,990	-	-	-	-	-	5,990	-	5,990
Note payable, current portion	5,512	-	-	-	-	-	5,512	-	5,512
Mortgage payable, current portion	-	36,239	-	-	-	-	36,239	-	36,239
Line of credit	258,053	-	-	-	-	-	258,053	-	258,053
Total Current Liabilities	2,060,961	82,443	15,248	20,168	32,185	28,613	2,239,618	9,126	2,230,492
Tenant security deposits	4,683	10,055	5,725	2,802	6,381	6,266	35,912	-	35,912
Capital lease obligation, net of current portion	6,579	-	-	-	-	-	6,579	-	6,579
Note payable, net of current portion	23,752	-	-	-	-	-	23,752	-	23,752
Mortgage payable, net of current portion	-	1,471,342	-	-	-	-	1,471,342	-	1,471,342
TOTAL LIABILITIES	2,095,975	1,563,840	20,973	22,970	38,566	34,879	3,777,203	9,126	3,768,077
Net Assets									
Unrestricted									
General	(144,585)	(68,067)	(73,112)	(135,052)	(50,022)	(247,745)	(718,583)	-	(718,583)
Board designated	1,800,000	-	-	-	-	-	1,800,000	-	1,800,000
Total Unrestricted	1,655,415	(68,067)	(73,112)	(135,052)	(50,022)	(247,745)	1,081,417	-	1,081,417
Temporarily restricted	1,732,831	-	2,054,900	934,700	1,620,700	2,242,900	8,586,031	-	8,586,031
TOTAL NET ASSETS	3,388,246	(68,067)	1,981,788	799,648	1,570,678	1,995,155	9,667,448	-	9,667,448
TOTAL LIABILITIES AND NET ASSETS	\$ 5,484,221	\$ 1,495,773	\$ 2,002,761	\$ 822,618	\$ 1,609,244	\$ 2,030,034	\$ 13,444,651	\$ 9,126	\$ 13,435,525

MULTIPLE SCLEROSIS ASSOCIATION OF AMERICA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	The Association	MSH	MSAA HIL	MSAA Jacksonville	MSHH	MSAA HFD	Total	Eliminations	Total
REVENUE AND SUPPORT									
Contributions	\$ 7,607,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,607,038	\$ -	\$ 7,607,038
Donated materials, services and equipment	3,921,745	-	-	-	-	-	3,921,745	-	3,921,745
Grants and bequests	2,420,454	-	-	-	-	-	2,420,454	-	2,420,454
Rental income	79,430	677,382	294,707	110,574	303,729	354,714	1,820,536	-	1,820,536
Investment income (loss)	(483,555)	2,530	10,076	165	6,893	2,162	(461,729)	-	(461,729)
Miscellaneous income	49,266	3,208	2,403	914	32,358	2,336	90,485	-	90,485
Special events	88,460	-	-	-	-	-	88,460	-	88,460
TOTAL REVENUE AND SUPPORT	13,682,838	683,120	307,186	111,653	342,980	359,212	15,486,989	-	15,486,989
EXPENSES									
Program Services									
Patient services	5,802,139	-	-	-	-	-	5,802,139	-	5,802,139
Public education, referral & counseling	4,283,866	-	-	-	-	-	4,283,866	-	4,283,866
Housing	82,803	589,114	289,771	139,777	294,555	332,454	1,728,474	-	1,728,474
Total Program Services	10,168,808	589,114	289,771	139,777	294,555	332,454	11,814,479	-	11,814,479
Supporting Services									
Fundraising	2,752,260	-	-	-	-	-	2,752,260	-	2,752,260
General and administrative	2,159,621	-	-	-	-	-	2,159,621	-	2,159,621
Total Supporting Services	4,911,881	-	-	-	-	-	4,911,881	-	4,911,881
TOTAL EXPENSES	15,080,689	589,114	289,771	139,777	294,555	332,454	16,726,360	-	16,726,360
Change in Net Assets	(1,397,851)	94,006	17,415	(28,124)	48,425	26,758	(1,239,371)	-	(1,239,371)
NET ASSETS, BEGINNING OF YEAR	4,786,097	(162,073)	1,964,373	827,772	1,522,253	1,968,397	10,906,819	-	10,906,819
NET ASSETS, END OF YEAR	\$ 3,388,246	\$ (68,067)	\$ 1,981,788	\$ 799,648	\$ 1,570,678	\$ 1,995,155	\$ 9,667,448	\$ -	\$ 9,667,448