

NATIONAL MPS SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National MPS Society, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of National MPS Society, Inc. (the "Society") as of December 31, 2016 and 2015 and the related statements of activities, cash flows, and functional expenses for the years 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the 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 Society'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 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 financial statements referred to above present fairly, in all material respects, the financial position of National MPS Society, Inc. as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rylander, Clay + Opitz, LLP

May 8, 2017

NATIONAL MPS SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 764,004	\$ 737,765
Investments	1,212,911	898,503
Program related investment	310,153	214,869
Contributions receivable	18,500	55,500
Prepaid expenses	12,669	30,889
Property and equipment, net of accumulated depreciation of \$16,097 and \$19,325, respectively	9,873	6,391
Investments restricted for endowment	<u>1,003,386</u>	<u>991,884</u>
Total assets	<u>\$ 3,331,496</u>	<u>\$ 2,935,801</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 11,891</u>	<u>\$ 11,566</u>
Total liabilities	<u>11,891</u>	<u>11,566</u>
Commitment (Note 7)		
Net Assets		
Unrestricted		
Undesignated	1,191,331	1,125,151
Designated	<u>40,000</u>	<u>-</u>
	1,231,331	1,125,151
Temporarily restricted	1,087,480	798,290
Permanently restricted	<u>1,000,794</u>	<u>1,000,794</u>
Total net assets	<u>3,319,605</u>	<u>2,924,235</u>
Total liabilities and net assets	<u>\$ 3,331,496</u>	<u>\$ 2,935,801</u>

See notes to financial statements.



NATIONAL MPS SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:								
Contributions								
General	\$ 161,542	\$ 355,000	\$ -	\$ 516,542	\$ 489,322	\$ -	\$ -	\$ 489,322
Research	-	118,540	-	118,540	-	115,320	-	115,320
Sponsored contributions	315,182	-	-	315,182	-	-	-	-
Other programs	-	55,710	-	55,710	10,000	67,550	-	77,550
Membership dues	26,600	-	-	26,600	28,095	-	-	28,095
Conference income	195,425	50,000	-	245,425	31,205	120,500	-	151,705
Special events	370,807	170,240	-	541,047	322,110	304,018	-	626,128
Other sales, net of costs of \$6,125 and \$7,111 in 2016 and 2015	-	(278)	-	(278)	-	1,165	-	1,165
Interest and dividends, net of fees	28,044	17,478	-	45,522	33,526	15,393	-	48,919
Net unrealized and realized gain (loss) on investments	103,919	14,144	-	118,063	65,145	(24,652)	-	40,493
Reclassification of endowment assets per UPMIFA	8,910	(8,910)	-	-	(8,910)	8,910	-	-
Net assets released from restrictions:								
Satisfaction of program restrictions	445,734	(445,734)	-	-	637,445	(637,445)	-	-
Satisfaction of time restrictions	37,000	(37,000)	-	-	3,507	(3,507)	-	-
Total revenue and support	1,693,163	289,190	-	1,982,353	1,611,445	(32,748)	-	1,578,697
Expenses:								
Program	1,211,413	-	-	1,211,413	1,029,401	-	-	1,029,401
General and administrative	214,643	-	-	214,643	181,551	-	-	181,551
Fundraising	160,927	-	-	160,927	155,718	-	-	155,718
Total expenses	1,586,983	-	-	1,586,983	1,366,670	-	-	1,366,670
Change in net assets	106,180	289,190	-	395,370	244,775	(32,748)	-	212,027
Net assets at beginning of year	1,125,151	798,290	1,000,794	2,924,235	880,376	831,038	1,000,794	2,712,208
Net assets at end of year	\$ 1,231,331	\$ 1,087,480	\$ 1,000,794	\$ 3,319,605	\$ 1,125,151	\$ 798,290	\$ 1,000,794	\$ 2,924,235

See notes to financial statements.



NATIONAL MPS SOCIETY, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 395,370	\$ 212,027
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	4,686	1,827
Net unrealized and realized gain on investments	(118,063)	(40,493)
Changes in assets and liabilities:		
Prepaid expenses and other assets	18,220	(25,829)
Contributions receivable	37,000	(50,525)
Accounts payable and accrued expenses	325	(208,198)
	<u>337,538</u>	<u>(111,191)</u>
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities		
Sales and maturities of investments	3,405,392	2,509,421
Purchases of investments	(3,708,523)	(2,144,469)
Purchase of equipment	(8,168)	(5,042)
	<u>(311,299)</u>	<u>359,910</u>
Net cash (used) provided by investing activities		
Net increase in cash and cash equivalents	26,239	248,719
Cash and cash equivalents at beginning of year	<u>737,765</u>	<u>489,046</u>
Cash and cash equivalents at end of year	<u>\$ 764,004</u>	<u>\$ 737,765</u>

See notes to financial statements.



NATIONAL MPS SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries and fringe benefits	\$ 165,834	\$ 123,798	\$ 64,108	\$ 353,740	\$ 121,234	\$ 98,339	\$ 68,020	\$ 287,593
Payroll tax	12,563	9,379	4,857	26,799	9,688	7,859	5,436	22,983
Awards	-	-	5,239	5,239	-	-	1,833	1,833
Printing	7,414	9,867	9,584	26,865	19,066	10,359	8,515	37,940
Postage	4,406	4,747	6,233	15,386	5,659	5,887	2,604	14,150
Conferences, meetings, and travel	578,956	5,282	8,804	593,042	275,479	-	-	275,479
Family assistance	50,837	-	-	50,837	55,994	-	-	55,994
Research grants	308,800	-	-	308,800	454,932	-	-	454,932
Telephone	4,530	3,020	-	7,550	3,758	2,505	-	6,263
Office supplies	3,874	2,583	-	6,457	1,791	1,194	-	2,985
Insurance	3,891	2,594	-	6,485	3,812	2,542	-	6,354
Legal and audit	-	17,500	-	17,500	-	16,750	-	16,750
Subscriptions, dues, and fees	6,535	14,354	16,152	37,041	18,431	15,209	-	33,640
Fundraising expenses	-	-	37,213	37,213	-	-	60,314	60,314
Building rent and utilities	19,792	13,194	-	32,986	18,518	12,345	-	30,863
Equipment	2,243	1,496	-	3,739	2,203	1,469	-	3,672
Miscellaneous	3,116	178	3	3,297	2,992	1,145	-	4,137
Contract service	35,810	4,777	8,734	49,321	34,748	5,217	8,996	48,961
Total expenses before depreciation	1,208,601	212,769	160,927	1,582,297	1,028,305	180,820	155,718	1,364,843
Depreciation	2,812	1,874	-	4,686	1,096	731	-	1,827
Total expenses	\$ 1,211,413	\$ 214,643	\$ 160,927	\$ 1,586,983	\$ 1,029,401	\$ 181,551	\$ 155,718	\$ 1,366,670

See notes to financial statements.



NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Programs

The National MPS Society, Inc. (the “Society”) is a not-for-profit organization that exists to cure, support, and advocate for mucopolysaccharidosis (“MPS”) and Mucopolipidosis (“ML”). To achieve this goal, the Society supports research, provides support to individuals and families affected by MPS or related diseases, and promotes public and professional awareness.

Basis of Accounting and Use of Estimates

The financial statements of the Society are prepared on the accrual basis of accounting and use estimates and assumptions in preparing those financials in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Cash Equivalents

Cash equivalents include all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents includes \$582,853 and \$272,458 held in a money market account as of December 31, 2016 and 2015, respectively.

Investments

Investments consist of money market funds, certificates of deposit, fixed income securities, mutual funds, and equities. The Society carries its investments in marketable securities with readily determinable fair values at their fair values on the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities.

Fair Value of Assets and Liabilities

Fair value is defined as 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. GAAP establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets where that particular asset or liability is not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Permanently Restricted Net Assets

The Society established an endowment fund to provide a permanent source of funding for its operations and overhead expenses. Contributions received for this fund are to be invested, used, and spent in accordance with the endowment fund’s policy in perpetuity. As such these contributions are considered to be permanently restricted.



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment that are purchased are recorded at cost and depreciated using the straight-line method over approximately three to five years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give to the Society. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Membership dues are recognized as revenue when received.

Special event revenue is revenue recognized from events organized by volunteers or by the Society that generate income from fundraising functions designed to attract donors and raise awareness.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Materials and Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Society. Volunteers provide valuable services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria was not met.

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Income Taxes

The Society is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a “private foundation” for tax purposes.



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

FASB ASU 2016-14, Presentation of Financial Statements: The purpose of the ASU is to improve presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. According to the FASB in Focus newsletter on the ASU, the new standard addresses: 1) Complexity and understandability of net asset classifications. 2) Deficiencies in information about liquidity and availability of resources. 3) Lack of consistency in the type of information provided about expenses and investment return. 4) Misunderstandings about and opportunities to enhance the utility of the statement of cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The Society is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

Subsequent Events

The Society has evaluated subsequent events through May 8, 2017 which is the date the financial statements were available to be issued.

NOTE 2. FAIR VALUE OF ASSETS AND LIABILITIES

The Society accounts for its financial assets and liabilities under fair value accounting standards. These standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Money market funds: Valued at fair value at quoted net asset value of shares, which are \$1 per share, at year end.

Certificates of deposit: Valued at cost which approximates fair value.

Corporate bonds and U.S. government securities: Valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy.

Equities: Valued at the closing price reported from national securities exchanges.



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

Mutual funds: Shares of mutual funds are valued at the net asset value (NAV) of shares held by the Society and are valued at the closing price reported on the active market on which the individual securities are traded.

Program related investment: During 2014, the Society invested in a limited liability company, which consists of a program related investment of \$112,500 with Abeona Therapeutics LLC (Abeona). Abeona is developing novel gene therapies for children with rare genetic diseases, utilizing technology exclusively licensed from Nationwide Children’s Hospital for the treatment of the deadly childhood genetic diseases Mucopolysaccharidosis (“MPS”) IIIA and IIIB.

During 2015, a publicly traded company acquired all of the membership interests of the limited liability company, Abeona. As a result, the Society determined it necessary to transfer its investment from a Level 3 measurement to Level 2. The securities held, although publicly traded, are subject to redemption restrictions and therefore classified as a Level 2 investment. The program related investment is valued at the closing price reported at the value from the active market on which the shares are traded.

The Society’s investments are categorized at December 31, 2016 and 2015, as follows:

	2016			
	Level 1	Level 2	Level 3	Total
<u>Investments</u>				
Money market	\$ 44,468	\$ -	\$ -	\$ 44,468
Certificates of deposit	473,000	-	-	473,000
Equities	188,680	-	-	188,680
U.S. Treasury notes	82,645	-	-	82,645
Corporate bonds	-	396,604	-	396,604
Mutual funds	27,514	-	-	27,514
Total investments	816,307	396,604	-	1,212,911
Program related investment	-	310,153	-	310,153
Total fair value of assets held	<u>\$ 816,307</u>	<u>\$ 706,757</u>	<u>\$ -</u>	<u>\$ 1,523,064</u>
	2015			
	Level 1	Level 2	Level 3	Total
<u>Investments</u>				
Money market	\$ 31,228	\$ -	\$ -	\$ 31,228
Certificates of deposit	200,000	-	-	200,000
U.S. Treasury notes	45,755	-	-	45,755
Corporate bonds	-	133,300	-	133,300
Mutual funds	488,220	-	-	488,220
Total investments	765,203	133,300	-	898,503
Program related investment	-	214,869	-	214,869
Total fair value of assets held	<u>\$ 765,203</u>	<u>\$ 133,300</u>	<u>\$ -</u>	<u>\$ 1,113,372</u>



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

	2016			Total
	Level 1	Level 2	Level 3	
<u>Investments restricted for endowment</u>				
Money market	\$ 20,164	\$ -	\$ -	\$ 20,164
Equities	170,365	-	-	170,365
U.S. Treasury notes	402,464	-	-	402,464
Corporate bonds	-	252,455	-	252,455
Mutual funds	157,938	-	-	157,938
Total investments restricted for endowment	<u>\$ 750,931</u>	<u>\$ 252,455</u>	<u>\$ -</u>	<u>\$ 1,003,386</u>

	2015			Total
	Level 1	Level 2	Level 3	
<u>Investments restricted for endowment</u>				
Money market	\$ 7,788	\$ -	\$ -	\$ 7,788
Equities	125,543	-	-	125,543
U.S. Treasury notes	279,009	-	-	279,009
Corporate bonds	-	207,892	-	207,892
Mutual funds	371,652	-	-	371,652
Total investments restricted for endowment	<u>\$ 783,992</u>	<u>\$ 207,892</u>	<u>\$ -</u>	<u>\$ 991,884</u>

NOTE 3. BOARD DESIGNATED NET ASSETS

The unrestricted designated net assets are amounts designated by the Board of Directors for future activities and programs of the Society. Activity in designated unrestricted net assets for the years ended December 31, 2016 and 2015 follows:

	2016	2015
Balance at beginning of year	\$ -	\$ 24,943
Additions to Board designated net assets	80,000	-
Reductions of Board designated net assets	(40,000)	(24,943)
Balance at end of year	<u>\$ 40,000</u>	<u>\$ -</u>

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets relate to restricted contributions specified for the following purposes:

	2016	2015
Medical research	\$ 547,471	\$ 575,649
Family assistance programs	123,858	167,141
Future programs	413,559	55,500
Unappropriated endowment earnings	2,592	-
Balance at end of year	<u>\$ 1,087,480</u>	<u>\$ 798,290</u>



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. ENDOWMENT FUND

The Society's endowment fund consists of equities, fixed income securities, mutual funds and cash equivalents. This fund consists of contributions made to establish a permanent endowment, the earnings from which are to be used to support the Society's operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Composition and Activity of Endowment Funds

Endowment net assets consist of all donor restricted endowment funds.

The changes in the endowment net assets for the years ended December 31, 2016 and 2015 follow:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at beginning of year	\$ (8,910)	\$ -	\$ 1,000,794	\$ 991,884
Interest earned	-	24,569	-	24,569
Net appreciation (realized and unrealized)	-	14,144	-	14,144
Investment fees	-	(7,091)	-	(7,091)
Appropriation for expenditure	-	(20,120)	-	(20,120)
Reclassification based upon UPMIFA	8,910	(8,910)	-	-
Balance at end of year	\$ -	\$ 2,592	\$ 1,000,794	\$ 1,003,386

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance at beginning of year	\$ -	\$ 349	\$ 1,000,794	\$ 1,001,143
Interest earned	-	22,040	-	22,040
Net depreciation (realized and unrealized)	-	(24,652)	-	(24,652)
Investment fees	-	(6,647)	-	(6,647)
Reclassification based upon UPMIFA	(8,910)	8,910	-	-
Balance at end of year	\$ (8,910)	\$ -	\$ 1,000,794	\$ 991,884



NATIONAL MPS SOCIETY, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 5. ENDOWMENT FUND (Continued)

Interpretation of Relevant Law

The Society holds all donor-restricted endowment contributions by requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies permanently restricted net assets as (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society. In accordance with the law, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds; the purposes of the Society and the donor-restricted endowment fund; the general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Society; and the investment policies established by the Society.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature reported in unrestricted net assets were \$8,910 as of December 31, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred during 2015. There were no deficiencies as of December 31, 2016.

Return Objectives and Risk Parameters

The Society aims to invest its financial assets to maximize total return consistent with an acceptable level of risk. The Society expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies Employed for Achieving Objectives

Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return or to reduce bank service charges.

Endowment assets will be invested in a well diversified asset mix, which includes time deposits and equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the fund if possible.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment policy provides that a distribution of up to 7% of the average net fair market value of the Fund's assets may be made annually to cover operations and overhead expenses; however, the distribution rate for 2016 was 2% and there were no distributions for 2015. The policy has an additional provision for an emergency invasion of funds of up to 15% of the value of the fund during a calendar year, if required.



NATIONAL MPS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN

The Society has adopted a Simple Retirement Account Program which provides a matching provision from the Society on employee contributions up to 3% of the employees' compensation. Matching contributions are approximately \$8,503 and \$5,200 in 2016 and 2015.

NOTE 7. LEASE COMMITMENT

Subsequent to year end, the Society has entered into an operating lease agreement, beginning April 2017, for office space having a term of sixty two months. Rent expense is approximately \$31,000 and \$29,000 in 2016 and 2015, respectively. At December 31, 2016, the future minimum lease commitments are:

2017	\$	29,000
2018		38,000
2019		39,000
2020		40,000
2021		41,000
Thereafter		<u>17,000</u>
	\$	<u>204,000</u>

NOTE 8. CONCENTRATIONS

In the current year, approximately 41% of the Society's contribution revenues were provided by two contributors. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

