

**NATIONAL MPS SOCIETY, INC.**

---

**FINANCIAL STATEMENTS**

**for the year ended December 31, 2019**

# NATIONAL MPS SOCIETY, INC.

## INDEX TO FINANCIAL STATEMENTS

---

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



**Langdon & Company** <sup>LLP</sup>  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
National MPS Society, Inc.

We have audited the accompanying financial statements of National MPS Society, Inc. (the "Society"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 the National MPS Society, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Society adopted ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

*Langdon & Company LLP*

Garner, North Carolina  
June 29, 2020

# NATIONAL MPS SOCIETY, INC.

## STATEMENT OF FINANCIAL POSITION

as of December 31, 2019

### ASSETS

Current assets:	
Cash and cash equivalents	\$ 453,363
Investments	3,261,129
Contributions receivable	22,212
Prepaid expenses	9,242
Accrued interest	7,612
Total current assets	<u>3,753,558</u>
Property and equipment:	
Furniture, fixtures, & equipment	34,983
Less accumulated depreciation	28,482
	<u>6,501</u>
Other assets:	
Deposits	17,582
Investments - restricted for purpose	161,252
Investments - restricted in perpetuity	1,138,568
	<u>1,317,402</u>
Total other assets	<u>1,317,402</u>
Total assets	<u>\$ 5,077,461</u>

### LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 142,469
Grants payable	140,000
Accrued salaries	17,715
Accrued vacation	6,616
Total current liabilities	<u>306,800</u>
Net assets:	
Without donor restrictions:	
Undesignated	1,392,003
Designated	474,850
	<u>1,866,853</u>
With donor restrictions:	
Purpose restricted	1,743,080
Time restricted	22,160
Perpetual in nature	1,138,568
	<u>2,903,808</u>
Total net assets	<u>4,770,661</u>
Total liabilities and net assets	<u>\$ 5,077,461</u>

*The accompanying notes are an integral part of the financial statements.*

# NATIONAL MPS SOCIETY, INC.

## STATEMENT OF ACTIVITIES

for the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Contributions:			
General, pledges	\$ 190,312	\$ -	\$ 190,312
Research	-	1,058,492	1,058,492
Endowment	-	13,878	13,878
Sponsor revenue	-	377,500	377,500
Other programs	-	4,288	4,288
Membership Dues	2,300	-	2,300
Conference revenue	248,853	29,562	278,415
Special events	601,929	244,435	846,364
Interest and dividends	81,188	40,164	121,352
Investment income, net of fees	130,039	147,791	277,830
Total revenue and support	1,254,621	1,916,110	3,170,731
Net assets released from restrictions	1,010,496	(1,010,496)	-
Total revenue and support	2,265,117	905,614	3,170,731
Expenses:			
Program services:			
Research	433,235	-	433,235
Family support	285,644	-	285,644
Advocacy and education	884,226	-	884,226
Total program services	1,603,105	-	1,603,105
Supporting services:			
Management and general	201,249	-	201,249
Fundraising	331,084	-	331,084
Total supporting services	532,333	-	532,333
Total expenses	2,135,438	-	2,135,438
Change in net assets	129,679	905,614	1,035,293
Net assets, beginning of year	1,737,174	1,998,194	3,735,368
Net assets, end of year	\$ 1,866,853	\$ 2,903,808	\$ 4,770,661

*The accompanying notes are an integral  
part of the financial statements.*

**NATIONAL MPS SOCIETY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

for the year ended December 31, 2019

	Program Services				Supporting Services			Grand Total
	Research	Family Support	Advocacy and Education	Total	Management and General	Fundraising	Total	
Salaries, taxes and benefits	\$ 32,191	\$ 124,673	\$ 112,460	\$ 269,324	\$ 122,745	\$ 125,054	\$ 247,799	\$ 517,123
Bereavement	-	6,048	-	6,048	-	-	-	6,048
Sponsored expenses	-	-	204,332	204,332	-	-	-	204,332
Printing	1,540	1,540	8,050	11,130	11,175	7,466	18,641	29,771
Postage	1,913	1,913	3,323	7,149	5,762	7,911	13,673	20,822
Conference, meetings and travel	-	43,340	488,966	532,306	-	1,145	1,145	533,451
Family assistance	-	90,076	-	90,076	-	-	-	90,076
Research grants	381,487	-	-	381,487	-	-	-	381,487
Telephone	884	884	884	2,652	1,767	-	1,767	4,419
Office supplies	717	717	717	2,151	1,630	-	1,630	3,781
Insurance	1,383	1,383	1,383	4,149	2,765	-	2,765	6,914
Legal and audit	-	-	-	-	26,983	-	26,983	26,983
Subscriptions, dues and fees	-	-	7,692	7,692	3,101	19,423	22,524	30,216
Fundraising expenses	-	-	-	-	-	157,790	157,790	157,790
Building rent and utilities	8,034	8,034	8,034	24,102	16,069	-	16,069	40,171
Equipment	808	808	808	2,424	1,616	-	1,616	4,040
Contract services	3,015	4,965	46,314	54,294	5,111	12,295	17,406	71,700
Depreciation	1,263	1,263	1,263	3,789	2,525	-	2,525	6,314
Total expenses	\$ 433,235	\$ 285,644	\$ 884,226	\$ 1,603,105	\$ 201,249	\$ 331,084	\$ 532,333	\$ 2,135,438

The accompanying notes are an integral part of the financial statements.

# NATIONAL MPS SOCIETY, INC.

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2019

Cash flows from operating activities:	
Cash received from contributors, contractors, grantors, and programs	\$ 2,778,601
Cash paid to employees, grantees, and suppliers	(1,841,288)
Interest and dividends received	<u>126,496</u>
Net cash provided by operating activities	<u>1,063,809</u>
Cash flows from investing activities:	
Sales of marketable securities	3,885,766
Purchases of marketable securities	(4,990,951)
Purchases of equipment	<u>(2,548)</u>
Net cash used in investing activities	<u>(1,107,733)</u>
Cash flows from financing activities:	
Interest and dividends restricted for long-term investments	40,164
Contributions received for long-term investment	<u>13,878</u>
Net cash provided by financing activities	<u>54,042</u>
Net increase in cash	10,118
Cash at beginning of year	<u>443,245</u>
Cash at end of year	<u><u>\$ 453,363</u></u>

*The accompanying notes are an integral  
part of the financial statements.*

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The National MPS Society, Inc. (the Society), is a tax-exempt organization under Section 501(c)(3). The Society 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. The Society’s primary source of revenue is from contributions, conferences, and events. The Society focuses its work on the following programs and initiatives:

*Research* – The Society and its members raise money to provide student fellowships and fund research projects. The Society also participates in and hosts technical conferences which allow researchers to collaborate and discuss findings.

*Family Support* – These programs range from continuing education scholarships to assistance with medical travel expenses. These programs also work to publish a series of resource guides dealing with specific syndromes and treatments that can help families learn more about MPS diagnosis and the future to come.

*Advocacy and Education* – The Society sponsors public events, crafts press releases, publishes syndrome and treatment materials, and maintains a website. The website provides updates on research, legislative activities, family support, and upcoming events.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Society maintains its cash accounts with financial institutions which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

#### Investments

The Society has investments in marketable equity securities that consist of common stock, mutual funds, commodities, and bonds and its portfolio is designed to limit exposure to any one industry, company, or geographical location. The Society’s investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. The Society performs periodic evaluations of the relative credit standing of the companies and funds in which it invests.

#### Property and Equipment

Furniture, fixtures, and equipment are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Purchases of \$500 or more and an estimated useful life of more than one year are capitalized and depreciated. Assets are depreciated using the straight-line method over the estimated useful lives, which approximate 3-5 years.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Grants Payable

The Society supports research through grants to other institutions or organizations. Research grants are recognized when they are unconditionally promised to the recipient. Those expenses are recorded in the statement of functional expense as program expenses. The Society has \$140,000 in grants payable as of December 31, 2019, all due within the next year. The Society also has \$418,569 of existing conditional grants payable at December 31, 2019, payment of which is conditional upon Board approval.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 8, the governing board has designated, from net assets without donor restrictions, certain amounts to be used for future activities and programs.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Change in Accounting Principle

During 2019, the Society adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance related to two accounting issues: (1) how to distinguish reciprocal (exchange) transactions from nonreciprocal (contributions) transactions, and (2) how to determine whether a contribution is conditional or unconditional. The change in accounting principle was adopted retrospectively in 2019. Under this method, the Society determined that there was no impact upon adoption to beginning net assets without donor restrictions or beginning net assets with donor restrictions as of January 1, 2019.

The presentation and disclosures of revenue have been enhanced in accordance with the standard.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. In-kind contributions of services, materials or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In 2019, approximately 58% of the Society's contribution revenues were from one donor.

Membership dues are recognized as revenue in the year in which they relate to.

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.

The Society recognizes the fair value of contributed services received if such services a) create or enhance a nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Volunteers and members of the community perform various services for the Society, and these services are significant and form an integral part of the efforts of the Society. The Society does not control the activities of the volunteers as it would paid employees, and there is not a clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Society does not record the amount of volunteer services rendered as a contribution and a corresponding amount as an expense.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **Functional Allocation of Expenses** *(Continued)*

The majority of expenses are specifically identified and directly coded to program services or supporting services. Allocated expenses include salaries, taxes, and benefits, depreciation, equipment expenses, insurance, office supplies, telephone, postage, printing, and building rent and utilities, which are allocated based on time spent or relative benefit.

#### **Income Taxes**

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. During the year ended December 31, 2019, the Society had no taxable unrelated business income.

The Society evaluates any uncertain tax positions. Accordingly, the Society's policy is to record a liability for any tax position taken that is beneficial to the Society, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of December 31, 2019.

#### **Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. **LIQUIDITY AND AVAILABILITY**

The Society is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date, or because the governing board set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

### 2. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets at year-end:	
Cash and cash equivalents	\$ 453,363
Investments	3,261,129
Contributions receivable	<u>22,212</u>
	<u>3,736,704</u>
Less amounts not available to be used within one year, due to:	
Board designated net assets	474,850
Donor-restricted for purpose	1,743,080
Donor-restricted for time	<u>22,160</u>
	<u>2,240,090</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,496,614</u>

### 3. INVESTMENTS

Investments are stated at fair value and consist primarily of the following December 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Cash and cash equivalents	\$ 37,259	\$ 32,238	\$ 69,497
Certificates of deposit	1,575,000	-	1,575,000
Equities	684,982	719,922	1,404,904
Mutual Funds	519,665	547,660	1,067,325
Exchange-Traded Funds	444,223	-	444,223
	<u>\$ 3,261,129</u>	<u>\$ 1,299,820</u>	<u>\$ 4,560,949</u>

The following schedule summarizes the investment return and its classifications for the year ended December 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividends	\$ 81,188	\$ 40,164	\$ 121,352
Net realized and unrealized gains	141,772	158,673	300,445
Investment fees	(11,733)	(10,882)	(22,615)
	<u>\$ 211,227</u>	<u>\$ 187,955</u>	<u>\$ 399,182</u>

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

### 4. FAIR VALUE MEASUREMENTS

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in Level 1. Level 3 inputs are unobservable and apply only when there is little or no market activity for the asset or liability.

The Society recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2019.

Fair values for assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 69,497	\$ 69,497	-	-
Certificates of deposit	1,575,000	1,575,000	-	-
Equities	1,404,904	1,404,904	-	-
Mutual Funds	1,067,325	1,067,325	-	-
Exchange-Traded Funds	444,223	444,223	-	-
	<u>\$4,560,949</u>	<u>\$ 4,560,949</u>	<u>\$ -</u>	<u>\$ -</u>

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 are available for the following purposes:

Restricted in perpetuity - endowment	\$ 1,138,568
Restricted for purpose:	
Medical research	1,253,958
Endowment	161,252
Future programs	327,870
	1,743,080
Restricted for passage of time:	
Contributions receivable	22,160
	\$ 2,903,808

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

### 5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended December 31, 2019:

Subject to expenditures for specified purposes:	
Medical research	\$ 362,339
Future programs	442,087
Family assistance programs	<u>135,570</u>
	<u>939,996</u>
Subject to the passage of time	<u>70,500</u>
	<u>\$ 1,010,496</u>

### 6. ENDOWMENT FUNDS

The Society's endowment includes two donor-restricted endowment funds that support particular programs or types of expenditure. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society's governing body has interpreted the North Carolina Uniform Management of Institutional Funds Act (the Act) as 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 as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* 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 5% 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 risk.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

### 6. ENDOWMENT FUNDS (Continued)

Cash is always to be employed productively, 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.* 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. The policy has an additional provision for an emergency invasion of funds up to 15% of the value of the fund during a calendar year, if required.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required by donors or the Act (underwater endowments). While the Society has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required by law, the Society's internal policy has been to preserve the corpus of their endowments. There were no such deficiencies of this nature reported in net assets with donor restrictions at December 31, 2019.

Endowment net asset composition as of December 31, 2019 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Endowment Assets</b>
Original donor-restricted gifts in perpetuity	\$ -	\$ 1,138,568	\$ 1,138,568
Accumulated investment gains	-	161,252	161,252
Board-designated endowment funds	15,530	-	15,530
	\$ 15,530	\$ 1,299,820	\$ 1,315,350

Changes in endowment net assets for the year ended December 31, 2019 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Endowment Assets</b>
Endowment net assets, beginning of year	\$ 13,260	\$ 1,097,988	\$ 1,111,248
Contributions	-	13,878	13,878
Investment return, net	2,270	187,954	190,224
Endowment net assets, end of year	\$ 15,530	\$ 1,299,820	\$ 1,315,350

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

### 7. LEASE COMMITMENT

The Society leases its office space under an operating lease expiring June 1, 2022. Additionally, in November of 2019, the Society entered into a one-year lease for office space in Washington, D.C. The Society was responsible for making payments until they received notice that their payments for the months of June 2020 through December 2020 would be paid by an outside donor; therefore, those payments are excluded from the future minimum lease payment schedule.

The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 43,416
2021	41,110
2022	17,464
Total future minimum lease payments	<u>\$ 101,990</u>

The rental expense for the year ended December 31, 2019 was \$38,912.

### 8. BOARD DESIGNATED NET ASSETS

The Society's Board of Directors has designated certain amounts to be used for future activities and programs. Activity in board designated net assets consisted of the following for the year ended December 31, 2019:

Balance, beginning of year	\$ 289,179
Additions	20,251
Allocated to programs	230,000
Reductions	(64,580)
Balance, end of year	<u>\$ 474,850</u>

### 9. 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. Match contributions at December 31, 2019 totaled \$13,345.

### 10. SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions or restrictions on our employees' ability to work, cancellation of events, or decreased contributions. The future effects of these issues are unknown.

# NATIONAL MPS SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 10. SUBSEQUENT EVENTS *(Continued)*

Subsequent to year end, the Society received a \$91,521 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Society is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Subsequent to December 31, 2019 the stock market has experienced significant volatility. The Society's investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net assets.

Management has evaluated subsequent events through June 29, 2020, the date which the financial statements are available for issue.