

NATIONAL MPS SOCIETY, INC.

FINANCIAL STATEMENTS

for the year ended December 31, 2020

NATIONAL MPS SOCIETY, INC.

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Langdon & Company ^{LLP}
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, 2020, 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 National MPS Society, Inc. as of December 31, 2020, 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 Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited the Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
June 21, 2021

NATIONAL MPS SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

as of December 31, 2020
with comparative totals as of December 31, 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,581,490	\$ 693,363
Investments	2,453,743	3,021,129
Contributions receivable	19,225	22,212
Prepaid expenses	3,028	9,242
Accrued interest	5,512	7,612
Total current assets	4,062,998	3,753,558
Property and equipment:		
Furniture, fixtures, & equipment	39,779	34,983
Less accumulated depreciation	33,359	28,482
	6,420	6,501
Other assets:		
Deposits	52,747	17,582
Investments - restricted for purpose	206,318	161,252
Investments - restricted in perpetuity	1,138,568	1,138,568
Total other assets	1,397,633	1,317,402
Total assets	\$ 5,467,051	\$ 5,077,461

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 16,091	\$ 142,469
Grants payable	107,500	140,000
Accrued salaries	22,704	17,715
Accrued vacation	8,254	6,616
Total current liabilities	154,549	306,800
Net assets:		
Without donor restrictions:		
Undesignated	1,919,425	1,392,003
Board designated	609,366	474,850
	2,528,791	1,866,853
With donor restrictions:		
Purpose restricted	1,557,918	1,743,080
Time restricted	87,225	22,160
Perpetual in nature	1,138,568	1,138,568
	2,783,711	2,903,808
Total net assets	5,312,502	4,770,661
Total liabilities and net assets	\$ 5,467,051	\$ 5,077,461

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

NATIONAL MPS SOCIETY, INC.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2020
with comparative totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Contributions:				
Planned gifts	\$ 515,575	\$ -	\$ 515,575	\$ 956,212
General donations	301,208	20,000	321,208	190,312
Research	-	129,852	129,852	102,280
Endowment	-	-	-	13,878
Sponsored revenue	-	115,000	115,000	377,500
Family support	6,777	130,774	137,551	3,495
Membership dues	1,075	-	1,075	2,300
Conference revenue:				
Donations	161,000	-	161,000	210,183
Registrations	7,455	-	7,455	69,025
Special events	404,058	239,650	643,708	846,364
Interest and dividends	58,303	29,196	87,499	121,352
Investment income, net of fees	62,591	15,870	78,461	277,830
Paycheck Protection Program proceeds (Note 1)	-	90,503	90,503	-
Total revenue and support	1,518,042	770,845	2,288,887	3,170,731
Net assets released from restrictions	890,942	(890,942)	-	-
Total revenue and support	2,408,984	(120,097)	2,288,887	3,170,731
Expenses:				
Program services:				
Research	608,394	-	608,394	433,235
Family support	242,091	-	242,091	285,644
Advocacy and education	546,855	-	546,855	884,226
Total program services	1,397,340	-	1,397,340	1,603,105
Supporting services:				
Management and general	199,170	-	199,170	201,249
Fundraising	150,536	-	150,536	331,084
Total supporting services	349,706	-	349,706	532,333
Total expenses	1,747,046	-	1,747,046	2,135,438
Change in net assets	661,938	(120,097)	541,841	1,035,293
Net assets, beginning of year	1,866,853	2,903,808	4,770,661	3,735,368
Net assets, end of year	\$ 2,528,791	\$ 2,783,711	\$ 5,312,502	\$ 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, 2020
with comparative totals for 2019

	2020							2019	
	Program Services				Supporting Services			Grand Total	Grand Total
	Research	Family Support	Advocacy and Education	Total	Management and General	Fundraising	Total		
Salaries, taxes, & benefits	\$ 81,875	\$ 122,878	\$ 127,439	\$ 332,192	\$ 117,703	\$ 94,298	\$ 212,001	\$ 544,193	\$ 517,123
Bereavement	-	29,047	-	29,047	-	-	-	29,047	41,776
Sponsored expenses	-	-	204,715	204,715	-	-	-	204,715	204,332
Printing	1,257	1,257	19,639	22,153	11,926	9,381	21,307	43,460	29,771
Postage	1,643	1,643	2,223	5,509	5,473	4,104	9,577	15,086	20,822
Conference, meetings, & travel	1,811	1,154	131,990	134,955	-	-	-	134,955	508,026
Family assistance	-	67,021	-	67,021	-	-	-	67,021	78,628
Research grants	505,361	-	-	505,361	-	-	-	505,361	381,487
Telephone	1,107	1,107	1,107	3,321	2,214	-	2,214	5,535	4,419
Office supplies	836	836	836	2,508	3,747	-	3,747	6,255	3,781
Insurance	1,409	1,409	1,409	4,227	2,819	-	2,819	7,046	6,914
Legal & audit	-	-	-	-	16,278	-	16,278	16,278	26,983
Subscriptions, dues, & fees	-	-	9,657	9,657	3,119	18,889	22,008	31,665	30,216
Fundraising expenses	-	-	-	-	-	5,218	5,218	5,218	158,935
Building rent & utilities	9,166	9,166	9,166	27,498	18,333	-	18,333	45,831	40,171
Equipment	971	971	971	2,913	1,941	-	1,941	4,854	4,040
Contract services	1,800	4,444	36,545	42,789	13,300	18,646	31,946	74,735	71,700
Depreciation	1,158	1,158	1,158	3,474	2,317	-	2,317	5,791	6,314
Total expenses	<u>\$ 608,394</u>	<u>\$ 242,091</u>	<u>\$ 546,855</u>	<u>\$ 1,397,340</u>	<u>\$ 199,170</u>	<u>\$ 150,536</u>	<u>\$ 349,706</u>	<u>\$ 1,747,046</u>	<u>\$ 2,135,438</u>

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, 2020
with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from contributors, contractors, grantors, and programs	\$ 2,128,014	\$ 2,778,601
Cash paid to employees, grantees, and suppliers	(1,922,457)	(1,841,288)
Interest and dividends received	58,303	126,496
Net cash provided by operating activities	<u>263,860</u>	<u>1,063,809</u>
Cash flows from investing activities:		
Sales of marketable securities	4,383,829	4,125,766
Purchases of marketable securities	(3,783,048)	(4,990,951)
Purchases of equipment	(5,710)	(2,548)
Net cash provided by (used in) investing activities	<u>595,071</u>	<u>(867,733)</u>
Cash flows from financing activities:		
Interest and dividends restricted for long-term investments	29,196	40,164
Contributions received for long-term investment	-	13,878
Net cash provided by financing activities	<u>29,196</u>	<u>54,042</u>
Net increase in cash	888,127	250,118
Cash at beginning of year	693,363	443,245
Cash at end of year	<u>\$ 1,581,490</u>	<u>\$ 693,363</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 Mucopolidosis (“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 discussing specific types of MPS and ML, also referred to as syndromes, and treatments that can help families learn more about 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 information consistent with the Society’s mission including updates on research, legislative activities, family support, and upcoming events, such as conferences and fundraisers.

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 well capitalized 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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Paycheck Protection Program (“PPP”)

Funds received pursuant to PPP under Division A, Title I of the CARES Act, enacted March 27, 2020, have been recorded as a conditional contribution. Under the terms of the PPP, the Society will initially recognize the funds as a refundable advance and, as conditions for forgiveness are met, recognize contribution revenue. All conditions were met during the year and the loan was forgiven and is reflected on the accompanying Statement of Activities as “Paycheck Protection Program proceeds”.

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 expenses as program expenses. The Society had \$107,500 and \$140,000 in grants payable as of December 31, 2020 and 2019, respectively, all of which were current. The Society also had \$578,440 and \$418,569 of existing conditional grants payable at December 31, 2020 and 2019, respectively, 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 9, 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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Change in Accounting Principle

During 2020, the Society adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Accounting Standards Codification (ASC) Topic 606 outlines a single model to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance on the same topic. The core principle is the recognition of contract revenue from customers when an entity transfers promised goods or services in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. Additionally, ASC Topic 606 requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Analysis of various provisions of this standard resulted in no significant changes in the way the Society recognizes revenue, and therefore, no changes to the previously issues audited financial statements were required on a retrospective basis. The presentation and revenue disclosures have been enhanced in accordance with this standard.

Revenue Recognition

Contributions - Contributions 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 - that is those with a measurable performance or other barrier and a right of return - 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, the Society received a single planned giving donation from a donor which equated to 58% of the Society's total contribution revenue. In 2020, the Society received a single planned giving donation from a different donor which equated to 40% of the Society's total contribution revenue.

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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

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

Special events – 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.

Conference – Conference donations are recorded when received. Registrations from conferences are recognized as revenue once the event has occurred.

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.

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 years ended December 31, 2020 and 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 by 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, 2020 and 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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 the Society's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Reclassifications

Certain items included in the 2019 financial statements have been reclassified to conform to the 2020 presentation. Change in net assets of the Society previously reported for 2019 were not affected by these reclassifications.

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. In accordance with the Society's policies, the board has designated certain amounts to be used for future activities and programs. These board designations can be drawn upon if the governing board approves this action.

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, donor-imposed restrictions, or board-designations, within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,581,490	\$ 693,363
Investments	2,453,743	3,021,129
Contributions receivable	19,225	22,212
	<u>4,054,458</u>	<u>3,736,704</u>
Less amounts not available to be used within one year, due to:		
Board designated net assets	609,366	474,850
Donor-restricted for purpose	1,557,918	1,743,080
	<u>2,167,284</u>	<u>2,217,930</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,887,174</u>	<u>\$ 1,518,774</u>

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

Investments are stated at fair value and consist primarily of the following at December 31, 2020 and 2019:

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Money market funds	\$ 78,106	\$ 55,180	\$ 133,286
Certificates of deposit	650,000	-	650,000
Equities	676,260	797,864	1,474,124
Mutual Funds	578,791	306,324	885,115
Exchange-Traded Funds	470,586	185,518	656,104
	<u>\$ 2,453,743</u>	<u>\$ 1,344,886</u>	<u>\$ 3,798,629</u>

<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Money market funds	\$ 37,259	\$ 32,238	\$ 69,497
Certificates of deposit	1,335,000	-	1,335,000
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>\$ 3,021,129</u>	<u>\$ 1,299,820</u>	<u>\$ 4,320,949</u>

The following schedule summarizes the investment return and its classifications for the years ended December 31, 2020 and 2019:

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 58,303	\$ 29,196	\$ 87,499
Net realized and unrealized gains	78,609	28,198	106,807
Investment fees	(16,018)	(12,328)	(28,346)
	<u>\$ 120,894</u>	<u>\$ 45,066</u>	<u>\$ 165,960</u>

<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 liabilities other than quoted market 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 years ended December 31, 2020 and 2019.

Fair values for assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>	<u>Fair Value</u>			
Investments:				
Money market funds	\$ 133,286	\$ 133,286	\$ -	\$ -
Certificates of deposit	650,000	-	650,000	-
Equities	1,474,124	1,474,124	-	-
Mutual funds	885,115	885,115	-	-
Exchange-traded funds	656,104	656,104	-	-
	<u>\$ 3,798,629</u>	<u>\$ 3,148,629</u>	<u>\$ 650,000</u>	<u>\$ -</u>
<u>December 31, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Money market funds	\$ 69,497	\$ 69,497	\$ -	\$ -
Certificates of deposit	1,335,000	-	1,335,000	-
Equities	1,404,904	1,404,904	-	-
Mutual funds	1,067,325	1,067,325	-	-
Exchange-traded funds	444,223	444,223	-	-
	<u>\$ 4,320,949</u>	<u>\$ 2,985,949</u>	<u>\$ 1,335,000</u>	<u>\$ -</u>

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

5. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Restricted for purpose:		
Medical research	\$ 1,125,850	\$ 1,253,958
Future programs	133,208	327,870
Family assistance programs	92,542	-
Endowment	206,318	161,252
	<u>1,557,918</u>	<u>1,743,080</u>
Restricted for passage of time	<u>87,225</u>	<u>22,160</u>
Restricted in perpetuity - endowment	<u>1,138,568</u>	<u>1,138,568</u>
	<u>\$ 2,783,711</u>	<u>\$ 2,903,808</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specified purposes:		
Medical research	\$ 357,549	\$ 362,339
Future programs	329,662	442,087
Family assistance programs	96,068	135,570
Paycheck Protection Program	90,503	-
	<u>873,782</u>	<u>939,996</u>
Subject to the passage of time	<u>17,160</u>	<u>70,500</u>
	<u>\$ 890,942</u>	<u>\$ 1,010,496</u>

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. Match contributions at December 31, 2020 and 2019 totaled \$13,807 and \$13,345, respectively.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

7. 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.

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 Society'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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENT FUNDS (Continued)

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, 2020 or 2019.

Endowment net asset composition as of December 31, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2020</u>			
Original donor-restricted gifts in perpetuity	\$ -	\$ 1,138,568	\$ 1,138,568
Accumulated investment gains	-	206,318	206,318
Board-designated endowment funds	16,068	-	16,068
	<u>\$ 16,068</u>	<u>\$ 1,344,886</u>	<u>\$ 1,360,954</u>
<u>December 31, 2019</u>			
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
	<u>\$ 15,530</u>	<u>\$ 1,299,820</u>	<u>\$ 1,315,350</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2020</u>			
Endowment net assets, beginning of year	\$ 15,530	\$ 1,299,820	\$ 1,315,350
Investment return, net	538	45,066	45,604
Endowment net assets, end of year	<u>\$ 16,068</u>	<u>\$ 1,344,886</u>	<u>\$ 1,360,954</u>
<u>December 31, 2019</u>			
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	<u>\$ 15,530</u>	<u>\$ 1,299,820</u>	<u>\$ 1,315,350</u>

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

8. LEASE COMMITMENT

The Society leases its office space in Durham, North Carolina under an operating lease expiring June 1, 2022. Additionally, the Society leases a secondary space in Washington, D.C. which expires December 31, 2021.

The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 46,110
2022	17,464
	<u>\$ 63,574</u>

Rental expense for the years ended December 31, 2020 and 2019 was \$41,740 and \$38,912, respectively.

9. BOARD-DESIGNATED NET ASSETS

The Society's Board of Directors has designated certain amounts at December 31, 2020 and 2019 for the following:

	<u>2020</u>	<u>2019</u>
Endowment	\$ 16,068	\$ 15,530
Family assistance	123,905	21,526
Research	469,393	437,794
	<u>\$ 609,366</u>	<u>\$ 474,850</u>

10. CONTINGENCY

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Society is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Society's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Society's employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Society's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS

The Society was granted a loan under the Paycheck Protection Program (PPP) on March 9, 2021, in the amount of \$100,963. The loan matures March 2026 and bears interest at a rate of 1% per annum. The Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) extended the deferral period for borrower payments of principal, interest, and fees on all PPP loans to the date that the Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period).

The Society has evaluated subsequent events through June 21, 2021, the date which the financial statements are available for issue.