

NATIONAL MPS SOCIETY, INC.

FINANCIAL STATEMENTS

for the year ended December 31, 2021

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.

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National MPS Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited National MPS Society, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
June 9, 2022

NATIONAL MPS SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

as of December 31, 2021

with comparative totals as of December 31, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 830,753	\$ 1,581,490
Investments	2,898,478	2,453,743
Contributions receivable	27,277	19,225
Prepaid expenses	7,220	3,028
Accrued interest	-	5,512
Total current assets	<u>3,763,728</u>	<u>4,062,998</u>
Property and equipment:		
Furniture, fixtures, & equipment	45,011	39,779
Less accumulated depreciation	<u>37,956</u>	<u>33,359</u>
	<u>7,055</u>	<u>6,420</u>
Other assets:		
Deposits	52,747	52,747
Investments - restricted for purpose	397,941	206,318
Investments - restricted in perpetuity	<u>1,138,568</u>	<u>1,138,568</u>
Total other assets	<u>1,589,256</u>	<u>1,397,633</u>
Total assets	<u>\$ 5,360,039</u>	<u>\$ 5,467,051</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 9,664	\$ 16,091
Grants payable	25,000	107,500
Accrued salaries	26,041	22,704
Accrued vacation	5,274	8,254
Total current liabilities	<u>65,979</u>	<u>154,549</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,328,587	1,919,425
Board designated	<u>420,651</u>	<u>609,366</u>
	<u>2,749,238</u>	<u>2,528,791</u>
With donor restrictions:		
Time restricted	22,137	87,225
Purpose restricted	1,384,117	1,557,918
Perpetual in nature	<u>1,138,568</u>	<u>1,138,568</u>
	<u>2,544,822</u>	<u>2,783,711</u>
Total net assets	<u>5,294,060</u>	<u>5,312,502</u>
Total liabilities and net assets	<u>\$ 5,360,039</u>	<u>\$ 5,467,051</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, 2021
with comparative totals for 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Contributions:				
Planned gifts	\$ 23,800	\$ 13,298	37,098	\$ 515,575
General donations	307,332	13,500	320,832	321,208
Research	31,633	175,595	207,228	129,852
Sponsored revenue	-	8,000	8,000	115,000
Family support	3,545	24,735	28,280	137,551
Membership dues	3,300	-	3,300	1,075
Conference revenue:				
Donations	160,000	5,000	165,000	161,000
Registrations	2,400	-	2,400	7,455
Special events	646,518	205,237	851,755	643,708
Interest and dividends	74,015	34,105	108,120	87,499
Investment income, net of fees	123,349	157,518	280,867	78,461
Paycheck Protection Program proceeds (Note 1)	-	101,103	101,103	90,503
Total revenue and support	1,375,892	738,091	2,113,983	2,288,887
Net assets released from restrictions	976,980	(976,980)	-	-
Total revenue and support	2,352,872	(238,889)	2,113,983	2,288,887
Expenses:				
Program services:				
Research	1,222,946	-	1,222,946	608,394
Family support	228,981	-	228,981	242,091
Advocacy and education	302,746	-	302,746	546,855
Total program services	1,754,673	-	1,754,673	1,397,340
Supporting services:				
Management and general	193,274	-	193,274	199,170
Fundraising	184,478	-	184,478	150,536
Total supporting services	377,752	-	377,752	349,706
Total expenses	2,132,425	-	2,132,425	1,747,046
Change in net assets	220,447	(238,889)	(18,442)	541,841
Net assets, beginning of year	2,528,791	2,783,711	5,312,502	4,770,661
Net assets, end of year	\$ 2,749,238	\$ 2,544,822	\$ 5,294,060	\$ 5,312,502

*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, 2021
with comparative totals for 2020**

	2021							2020	
	Program Services				Supporting Services			Grand Total	Grand Total
	Research	Family Support	Advocacy and Education	Total	Management and General	Fundraising	Total		
Salaries, taxes, & benefits	\$ 169,109	\$ 95,732	\$ 123,563	\$ 388,404	\$ 113,255	\$ 83,948	\$ 197,203	\$ 585,607	\$ 544,193
Bereavement	-	29,492	-	29,492	-	-	-	29,492	29,047
Sponsored expenses	-	-	2,605	2,605	-	-	-	2,605	204,715
Printing	911	911	15,328	17,150	12,269	11,115	23,384	40,534	43,460
Postage	1,914	1,914	4,257	8,085	6,240	6,541	12,781	20,866	15,086
Conference, meetings and travel	-	1,075	71,250	72,325	-	-	-	72,325	134,955
Family assistance	-	73,639	-	73,639	-	-	-	73,639	67,021
Research grants	1,026,446	-	-	1,026,446	-	-	-	1,026,446	505,361
Telephone	1,220	1,220	1,220	3,660	2,440	-	2,440	6,100	5,535
Office supplies	1,117	1,117	1,117	3,351	2,758	-	2,758	6,109	6,255
Insurance	1,394	1,394	1,394	4,182	2,787	-	2,787	6,969	7,046
Legal and audit	-	-	-	-	15,627	-	15,627	15,627	16,278
Subscriptions, dues and fees	-	-	11,522	11,522	2,095	17,935	20,030	31,552	31,665
Fundraising expenses	-	-	-	-	-	45,046	45,046	45,046	5,218
Building rent and utilities	8,596	8,596	8,596	25,788	17,192	-	17,192	42,980	45,831
Equipment	820	820	820	2,460	1,641	-	1,641	4,101	4,854
Contract services	10,500	12,152	60,155	82,807	15,131	19,893	35,024	117,831	74,735
Depreciation	919	919	919	2,757	1,839	-	1,839	4,596	5,791
Total expenses	\$ 1,222,946	\$ 228,981	\$ 302,746	\$ 1,754,673	\$ 193,274	\$ 184,478	\$ 377,752	\$ 2,132,425	\$ 1,747,046

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, 2021
with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from contributors, contractors, grantors, and programs	\$ 1,722,457	\$ 2,128,014
Cash paid to employees, grantees, and suppliers	(2,220,590)	(1,922,457)
Interest and dividends received	213,673	58,303
Net cash (used in) provided by operating activities	<u>(284,460)</u>	<u>263,860</u>
Cash flows from investing activities:		
Sales of marketable securities	3,471,974	4,383,829
Purchases of marketable securities	(3,967,124)	(3,783,048)
Purchases of equipment	(5,232)	(5,710)
Net cash (used in) provided by investing activities	<u>(500,382)</u>	<u>595,071</u>
Cash flows from financing activities:		
Interest and dividends restricted for long-term investments	<u>34,105</u>	<u>29,196</u>
Net cash provided by financing activities	<u>34,105</u>	<u>29,196</u>
Net (decrease) increase in cash	(750,737)	888,127
Cash at beginning of year	1,581,490	693,363
Cash at end of year	<u>\$ 830,753</u>	<u>\$ 1,581,490</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 – The Society provides programs that 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 and advocacy programs, 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 \$25,000 and \$107,500 in grants payable as of December 31, 2021 and 2020, respectively, all of which were current. The Society also had \$233,569 and \$578,440 of existing conditional grants payable at December 31, 2021 and 2020, 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)

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 2020, the Society received a single planned giving donation from a donor which equated to 40% of the Society's total contribution revenue. In 2021, the Society received donations from two individual donors which equated to 45% 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.

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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Functional Allocation of Expenses (Continued)

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, 2021 and 2020, 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, 2021 and 2020.

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.

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, 2020, from which the summarized information was derived.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 830,753	\$ 1,581,490
Investments	2,898,478	2,453,743
Contributions receivable	27,277	19,225
	<u>3,756,508</u>	<u>4,054,458</u>
Less amounts not available to be used within one year, due to:		
Board designated net assets	420,651	609,366
Donor-restricted for purpose	1,384,117	1,557,918
	<u>1,804,768</u>	<u>2,167,284</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,951,740</u>	<u>\$ 1,887,174</u>

3. INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 81,188	\$ 133,286
Certificates of deposit	712,000	650,000
Equities	1,843,770	1,474,125
Mutual Funds	1,079,209	885,115
Exchange-Traded Funds	718,822	656,103
	<u>\$ 4,434,989</u>	<u>\$ 3,798,629</u>

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (continued)

The following schedule summarizes the investment earnings for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 108,120	\$ 87,499
Net realized and unrealized gains	314,972	106,807
Investment fees	(34,105)	(28,346)
	<u>\$ 388,987</u>	<u>\$ 165,960</u>

The following schedule summarizes investment gains and its classification for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Without donor restrictions	\$ 197,364	\$ 120,894
With donor restrictions	191,623	45,066
	<u>\$ 388,987</u>	<u>\$ 165,960</u>

4. BOARD-DESIGNATED NET ASSETS

The Society's Board of Directors has designated certain amounts at December 31, 2021 and 2020 for the following:

	<u>2021</u>	<u>2020</u>
Endowment	\$ 18,358	\$ 16,068
Family assistance	127,450	123,905
Research	274,843	469,393
	<u>\$ 420,651</u>	<u>\$ 609,366</u>

5. 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, 2021 and 2020.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS (continued)

Fair values for assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

Fair Value Measurements at Reporting Date Using				
<u>December 31, 2021</u>	<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:				
Money market funds	\$ 81,188	\$ 81,188	\$ -	\$ -
Certificates of deposit	712,000	-	712,000	-
Equities	1,843,769	1,843,769	-	-
Mutual funds	1,079,209	1,079,209	-	-
Exchange-traded funds	718,822	718,822	-	-
	\$ 4,434,988	\$ 3,722,988	\$ 712,000	\$ -
<u>December 31, 2020</u>	<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:				
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	-	-
	\$ 3,798,629	\$ 3,148,629	\$ 650,000	\$ -

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets with donor restrictions were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Restricted for purpose:		
Medical research	\$ 867,194	\$ 1,125,850
Future programs	78,172	133,208
Family assistance programs	40,810	92,542
Endowment	397,941	206,318
	<u>1,384,117</u>	<u>1,557,918</u>
Restricted for passage of time	<u>22,137</u>	<u>87,225</u>
Restricted in perpetuity - endowment	<u>1,138,568</u>	<u>1,138,568</u>
	<u>\$ 2,544,822</u>	<u>\$ 2,783,711</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, 2021 and 2020:

	<u>2021</u>	<u>2019</u>
Subject to expenditures for specified purposes:		
Medical research	\$ 622,485	\$ 357,549
Future programs	63,036	329,662
Family assistance programs	103,131	96,068
Paycheck Protection Program	101,103	90,503
	<u>889,755</u>	<u>873,782</u>
Subject to the passage of time	<u>87,225</u>	<u>17,160</u>
	<u>\$ 976,980</u>	<u>\$ 890,942</u>

7. 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, 2021 and 2020 totaled \$15,482 and \$13,807, respectively.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

8. 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

8. 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, 2021 or 2020.

Endowment net asset composition as of December 31, 2021 and 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2021</u>			
Original donor-restricted gifts in perpetuity	\$ -	\$ 1,138,568	\$ 1,138,568
Accumulated investment gains	-	397,941	397,941
Board-designated endowment funds	18,358	-	18,358
	\$ 18,358	\$ 1,536,509	\$ 1,554,867
 <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
	\$ 16,068	\$ 1,344,886	\$ 1,360,954

Changes in endowment net assets for the years ended December 31, 2021 and 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2021</u>			
Endowment net assets, beginning of year	\$ 16,068	\$ 1,344,886	\$ 1,360,954
Investment return, net	2,290	191,623	193,913
Endowment net assets, end of year	\$ 18,358	\$ 1,536,509	\$ 1,554,867
 <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	\$ 16,068	\$ 1,344,886	\$ 1,360,954

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NOTES TO FINANCIAL STATEMENTS

9. LEASE COMMITMENT

The Society leases office space in Durham, North Carolina under an operating lease set to expire July 31, 2022. On April 22, 2022, subsequent to year-end, the Society entered into an Amendment to extend this lease through September 30, 2027. Additionally, the Society leases a secondary space in Washington, D.C. which expires July 31, 2022.

The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 48,643
2023	49,983
2024	51,488
2025	53,036
2026	54,631
Thereafter	41,958
	<u>\$299,739</u>

Rental expense for the years ended December 31, 2021 and 2020 was \$41,441 and \$41,740, respectively.

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.

11. SUBSEQUENT EVENTS

Decline in Value of Investments

Volatility in the financial markets has had an impact on the global economy and investment values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of such securities, it is reasonably possible that investment values have declined in subsequent periods.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS *(continued)*

On April 22, 2022, the Society has entered into a lease agreement amendment which extends the lease through September 30, 2027. See Note 9 above for future minimum lease commitments under this extension.

Management has evaluated subsequent events through June 9, 2022, the date which the financial statements are available for issue.