

NATIONAL MPS SOCIETY, INC.

FINANCIAL STATEMENTS

for the year ended December 31, 2022

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, 2022, 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, 2022, 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.

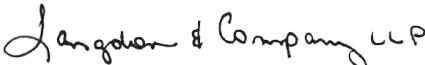
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Society adopted ASU 2016-02, *Leases (Topic 842)* and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited National MPS Society, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Garner, North Carolina
June 15, 2023

NATIONAL MPS SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

as of December 31, 2022
with comparative totals as of December 31, 2021

	ASSETS		LIABILITIES AND NET ASSETS	
	2022	2021	2022	2021
Current assets:			Current liabilities:	
Cash and cash equivalents	\$ 969,959	\$ 830,753	Accounts payable	\$ 150,578
Investments	1,911,190	2,898,478	Grants payable	-
Accounts receivable	85,837	27,277	Accrued salaries	24,184
Prepaid expenses	25,833	7,220	Accrued vacation	14,279
Total current assets	2,992,819	3,763,728	Refundable program advances	170,000
			Current portion of operating lease liabilities (Note 7)	43,977
			Total current liabilities	403,018
Fixed assets:			Long-term liabilities:	
Furniture, fixtures, and equipment	38,894	45,011	Operating lease liabilities, less current portion (Note 7)	190,787
CIP - Website	8,581	-		
	47,475	45,011	Total liabilities	593,805
Less accumulated depreciation	35,663	37,956		
	11,812	7,055	Net assets:	
			Without donor restrictions:	
Other assets:			Undesignated	1,450,200
Operating leases right-of-use assets (Note 7)	233,424	-	Board designated	476,030
Deposits	5,000	52,747	Total net assets without donor restrictions	1,926,230
Investments - restricted for purpose	143,385	397,941		
Investments - restricted in perpetuity	1,138,568	1,138,568	With donor restrictions:	
Total other assets	1,520,377	1,589,256	Time restricted	25,705
			Purpose restricted	840,700
			Perpetual in nature	1,138,568
			Total net assets with donor restrictions	2,004,973
			Total net assets	3,931,203
Total assets	\$ 4,525,008	\$ 5,360,039	Total liabilities and net assets	\$ 4,525,008
				\$ 5,360,039

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

NATIONAL MPS SOCIETY, INC.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2022
with comparative totals for December 31, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Contributions:				
General donations	\$ 317,559	\$ 100,000	\$ 417,559	\$ 320,832
Family support	1,372	36,505	37,877	28,280
Research	-	248,594	248,594	207,228
Planned gifts	-	-	-	37,098
Conference donations	281,650	-	281,650	165,000
Special events	477,870	253,973	731,843	851,755
Conference registrations	50,734	-	50,734	2,400
Membership dues	2,300	-	2,300	3,300
Sponsored event revenue	-	100,000	100,000	8,000
Interest and dividends	104,212	35,135	139,347	108,120
Investment (losses) gains, net of fees	(363,805)	(289,691)	(653,496)	280,867
Paycheck Protection Program proceeds (Note 1)	-	-	-	101,103
Total revenue and support	<u>871,892</u>	<u>484,516</u>	<u>1,356,408</u>	<u>2,113,983</u>
Net assets released from restrictions	<u>1,024,365</u>	<u>(1,024,365)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,896,257</u>	<u>(539,849)</u>	<u>1,356,408</u>	<u>2,113,983</u>
Expenses:				
Program services:				
Research	1,087,908	-	1,087,908	1,222,946
Family support	313,346	-	313,346	228,981
Advocacy and education	848,255	-	848,255	302,746
Total program services	<u>2,249,509</u>	<u>-</u>	<u>2,249,509</u>	<u>1,754,673</u>
Supporting services:				
Management and general	221,685	-	221,685	193,274
Fundraising	248,071	-	248,071	184,478
Total supporting services	<u>469,756</u>	<u>-</u>	<u>469,756</u>	<u>377,752</u>
Total expenses	<u>2,719,265</u>	<u>-</u>	<u>2,719,265</u>	<u>2,132,425</u>
Change in net assets	(823,008)	(539,849)	(1,362,857)	(18,442)
Net assets, beginning of year	<u>2,749,238</u>	<u>2,544,822</u>	<u>5,294,060</u>	<u>5,312,502</u>
Net assets, end of year	<u>\$ 1,926,230</u>	<u>\$ 2,004,973</u>	<u>\$ 3,931,203</u>	<u>\$ 5,294,060</u>

*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, 2022
with comparative totals for December 31, 2021

	2022							2021	
	Program Services			Total	Supporting Services			Grand Total	Grand Total
	Research	Family Support	Advocacy and Education		Management and General	Fundraising	Total		
Salaries, taxes, and benefits	\$ 184,867	\$ 156,992	\$ 117,298	\$ 459,157	\$ 133,277	\$ 132,118	\$ 265,395	\$ 724,552	\$ 585,607
Bereavement	-	25,864	-	25,864	-	-	-	25,864	29,492
Sponsored event expenses	-	-	185,185	185,185	-	-	-	185,185	2,605
Printing	897	897	17,957	19,751	13,586	11,672	25,258	45,009	40,534
Postage	1,438	1,438	5,193	8,069	6,036	5,789	11,825	19,894	20,866
Conference, meetings, and travel	-	39,149	420,775	459,924	-	-	-	459,924	72,325
Family assistance	-	70,809	-	70,809	-	-	-	70,809	73,639
Research grants	886,520	-	-	886,520	-	-	-	886,520	1,026,446
Telephone	1,555	1,555	1,555	4,665	3,109	-	3,109	7,774	6,100
Office supplies	1,446	1,446	1,446	4,338	3,342	-	3,342	7,680	6,109
Insurance	1,415	1,415	1,415	4,245	2,829	-	2,829	7,074	6,969
Legal and audit	-	-	-	-	22,566	-	22,566	22,566	15,627
Subscriptions, dues, and fees	-	-	11,396	11,396	2,069	22,578	24,647	36,043	31,552
Fundraising expenses	-	-	-	-	-	64,061	64,061	64,061	45,046
Building rent and utilities	7,859	7,859	7,859	23,577	15,717	-	15,717	39,294	42,980
Equipment	996	996	996	2,988	1,993	-	1,993	4,981	4,101
Contract services	150	4,161	76,415	80,726	15,632	11,853	27,485	108,211	117,831
Depreciation	765	765	765	2,295	1,529	-	1,529	3,824	4,596
Total expenses	<u>\$ 1,087,908</u>	<u>\$ 313,346</u>	<u>\$ 848,255</u>	<u>\$ 2,249,509</u>	<u>\$ 221,685</u>	<u>\$ 248,071</u>	<u>\$ 469,756</u>	<u>\$ 2,719,265</u>	<u>\$ 2,132,425</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, 2022
with comparative totals for December 31, 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from contributors, contractors, grantors, and programs	\$ 1,733,299	\$ 1,722,457
Cash paid to employees, grantees, and suppliers	(2,317,576)	(2,220,590)
Interest and dividends received	100,881	74,015
Net cash used in operating activities	<u>(483,396)</u>	<u>(424,118)</u>
Cash flows from investing activities:		
Sales of marketable securities	2,548,864	3,471,974
Purchases of marketable securities	(1,956,147)	(3,827,466)
Purchases of fixed assets	(8,581)	(5,232)
Net cash provided by (used in) investing activities	<u>584,136</u>	<u>(360,724)</u>
Cash flows from financing activities:		
Interest and dividends restricted for long-term investments	38,466	34,105
Net cash provided by financing activities	<u>38,466</u>	<u>34,105</u>
Net increase (decrease) in cash	139,206	(750,737)
Cash at beginning of year	830,753	1,581,490
Cash at end of year	<u>\$ 969,959</u>	<u>\$ 830,753</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 primary sources of revenue for the Society consist of 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.

Accounts Receivable

Accounts receivable are stated unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on receivables using the allowance method. The allowance is based on experiences, current economic conditions, and other circumstances, which may affect the collectability of the accounts. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2022 and 2021. Approximately 58% and 68% of accounts receivable as of December 31, 2022 and 2021, respectively, were due from one contributor.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Fixed Assets

Fixed assets 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, were initially recognized as a refundable advance and, as conditions for forgiveness were met, recognized as contribution revenue. All conditions were met during the year ended December 31, 2021, and the amount was 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 \$0 and \$25,000 in grants payable as of December 31, 2022 and 2021, respectively. The Society also had \$181,683 and \$233,569 of existing conditional grants payable at December 31, 2022 and 2021, 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 4, 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 and Support

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. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. 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. The Society received donations from two donors which equated to 29% and 45% of the Society's total contribution revenue for the years ended December 31, 2022 and 2021, respectively.

The Society received monies from various sponsors during the year ended December 31, 2022 in relation to conferences/classes, which will be held at a future date. These amounts are considered conditional and are shown in the accompanying statement of financial position as refundable program advances. Upon the occurrence of the related conference/class, amounts received will be recognized as revenue.

Donated Goods, Services, and Materials - During 2022, the Society adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this standard relates to the Society's in-kind donations, which are recorded within general donations, conference donations, and special event revenue on the accompanying statement of activities. Analysis of various provisions of this standard resulted in no significant changes in the way the Society's contributed nonfinancial assets are presented. The contributed nonfinancial asset disclosures have been enhanced in accordance with this standard.

Contributed items are utilized by the Society and are valued through the fair market value as provided by the donor. The Society recognizes the fair value of contributed items if such items a) create or enhance 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. These services are significant and form an integral part of the efforts of the Society but do not meet the criteria for recognition as contributed services.

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.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

Revenue from Contracts with Customers

The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time and how to allocate transaction prices where multiple performance obligations are identified. Revenue from contracts with customers is disaggregated by type on the Consolidated Statement of Activities for the years ended December 31, 2022 and 2021.

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

Conference Registrations - The Society conducts annual conferences and forums throughout the United States. Individuals and companies pay registration fees to attend. Revenue for registration fees are recognized 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, contract services, 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, 2022 and 2021, 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, 2022 and 2021.

Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Change in net assets of the Society previously reported for 2021 was not affected by these reclassifications.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Society adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

For transition, the Society has elected to adopt the package of practical expedients, which includes not to reassess: 1) whether any expired or existing contracts are or contain leases available in the year of adoption, 2) the lease classification for any expired or existing leases, and 3) initial direct costs on any existing leases, as well as the use of hindsight in determining the lease term and in assessing impairment of the Society's ROU assets.

The Society determines if an arrangement is a lease at inception. Operating leases are included in operating leases right-of-use assets and operating lease liabilities in the statement of financial position if they meet the criteria for capitalization.

Right-of-use assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the Society's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Society has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Society has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities. In addition, the Society has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

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, 2021, from which the summarized information was derived.

2. LIQUIDITY AND AVAILABILITY

The Society is substantially supported by restricted contributions. Because a donor's restriction requires contributions 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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 969,959	\$ 830,753
Investments	1,911,190	2,898,478
Accounts receivable	85,837	27,277
	<u>2,966,986</u>	<u>3,756,508</u>
Less amounts not available to be used within one year, due to:		
Board designated net assets	476,030	420,651
Donor-restricted for purpose	697,315	986,176
	<u>1,173,345</u>	<u>1,406,827</u>
Financial assets available to meet general expenditures within one year	<u>\$1,793,641</u>	<u>\$2,349,681</u>

3. INVESTMENTS AND 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, 2022 and 2021.

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Fair values for assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments held at fair value:				
Money market funds	\$ 51,405	\$ 51,405	\$ -	\$ -
Equities	1,542,530	1,542,530	-	-
Mutual funds	647,380	647,380	-	-
Exchange-traded funds	951,828	951,828	-	-
	\$ 3,193,143	\$ 3,193,143	\$ -	\$ -
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments held at fair value:				
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	718,821	718,821	-	-
	\$ 4,434,987	\$ 3,722,987	\$ 712,000	\$ -

The following schedule summarizes the net investment (losses) earnings for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 139,347	\$ 108,120
Net realized and unrealized (losses) gains	(622,244)	314,972
Investment fees	(31,252)	(34,105)
Net investment (losses) earnings	\$ (514,149)	\$ 388,987

The following schedule summarizes the net investment (losses) earnings by its classification for the years ended December 31, 2022 and 2021:

	2022	2021
Without donor restrictions	\$ (259,593)	\$ 197,364
With donor restrictions	(254,556)	191,623
Net investment (losses) earnings	\$ (514,149)	\$ 388,987

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

4. BOARD-DESIGNATED NET ASSETS

The Society's Board of Directors has designated certain amounts at December 31, 2022 and 2021 for the following:

	2022	2021
Endowment	\$ 15,316	\$ 18,358
Family assistance	116,857	127,450
Research	343,857	274,843
	\$ 476,030	\$ 420,651

5. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

	2022	2021
Restricted for purpose:		
Medical research	\$ 641,050	\$ 867,194
Future programs	56,265	78,172
Family assistance programs	-	40,810
Endowment	143,385	397,941
	840,700	1,384,117
Restricted for passage of time	25,705	22,137
Restricted in perpetuity - endowment	1,138,568	1,138,568
	\$ 2,004,973	\$ 2,544,822

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, 2022 and 2021:

	2022	2021
Subject to expenditures for specified purposes:		
Medical research	\$ 687,599	\$ 622,485
Future programs	196,907	63,036
Family assistance programs	117,722	103,131
Paycheck Protection Program	-	101,103
	1,002,228	889,755
Subject to the passage of time	22,137	87,225
	\$ 1,024,365	\$ 976,980

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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. No distributions were made during the years ended December 31, 2022 or 2021. 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

6. 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, 2022 or 2021.

Endowment net asset composition as of December 31, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2022</u>			
Original donor-restricted gifts in perpetuity	\$ -	\$ 1,138,568	\$ 1,138,568
Accumulated investment gains	-	143,385	143,385
Board-designated endowment funds	15,316	-	15,316
	<u>\$ 15,316</u>	<u>\$ 1,281,953</u>	<u>\$ 1,297,269</u>
<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
	<u>\$ 18,358</u>	<u>\$ 1,536,509</u>	<u>\$ 1,554,867</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
<u>December 31, 2022</u>			
Endowment net assets, beginning of year	\$ 18,358	\$ 1,536,509	\$ 1,554,867
Interest and dividends	420	35,135	35,555
Investment (loss), net of fees	(3,462)	(289,691)	(293,153)
Endowment net assets, end of year	<u>\$ 15,316</u>	<u>\$ 1,281,953</u>	<u>\$ 1,297,269</u>
<u>December 31, 2021</u>			
Endowment net assets, beginning of year	\$ 16,068	\$ 1,344,886	\$ 1,360,954
Interest and dividends	407	34,105	34,512
Investment income, net of fees	1,883	157,518	159,401
Endowment net assets, end of year	<u>\$ 18,358</u>	<u>\$ 1,536,509</u>	<u>\$ 1,554,867</u>

NATIONAL MPS SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

7. OPERATING LEASE

The Society leases office space in Durham, North Carolina under a non-cancelable lease that commenced in August 2023 and expires in September 2027. Total rent expense amounted to \$38,230 and \$41,441 for the years ended December 31, 2022 and 2021, respectively. The operating lease right-of-use asset balance at December 31, 2022 was \$233,424.

Additional information about the Society's lease is as follows:

Other Information

Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	\$ 16,454
Right-of-use assets obtained in exchange for new operating lease liabilities	248,353
Remaining lease term	4.75 years
Discount rate	2.85%

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

<u>Year ending December 31,</u>	
2023	\$ 49,983
2024	51,488
2025	53,036
2026	54,631
2027	41,958
Total lease payments	<u>251,097</u>
Less: present value discount	<u>(16,332)</u>
Present value of operating lease liabilities	<u>\$ 234,764</u>

8. COMMITMENTS

The Society has entered into various contracts for future conferences/classes with hotels through December 2024. At December 31, 2022, the Society has two commitments totaling \$346,414.

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, 2022 and 2021 totaled \$18,607 and \$15,482, respectively.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 15, 2023, the date which the financial statements are available for issue.