

FINANCIAL STATEMENTS



THE MYOSITIS ASSOCIATION

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

THE MYOSITIS ASSOCIATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Myositis Association
Columbia, Maryland

Opinion

We have audited the accompanying financial statements of The Myositis Association (TMA), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, 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 TMA as of December 31, 2021, and the change 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.

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 TMA 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 TMA'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.

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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, including omissions, 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 TMA'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 TMA'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 TMA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 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.



June 21, 2022

THE MYOSITIS ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	515,381	\$ 119,379
Investments		1,863,200	1,991,607
Grant and accounts receivable		325	65,127
Prepaid expenses and other		24,529	30,111
Fixed assets, net		36,975	11,347
Security deposit		<u>31,397</u>	<u>24,669</u>
Total current assets		<u>2,471,807</u>	<u>2,242,240</u>
OTHER ASSETS			
Right-of-use asset		<u>485,740</u>	<u>-</u>
TOTAL ASSETS	\$	<u>2,957,547</u>	\$ <u>2,242,240</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	112,094	\$ 97,076
Refundable advance		-	100,000
Lease liability		<u>62,657</u>	<u>-</u>
Total current liabilities		<u>174,751</u>	<u>197,076</u>
LONG-TERM LIABILITIES			
Lease liability, net of current		<u>458,243</u>	<u>-</u>
Total liabilities		<u>632,994</u>	<u>197,076</u>
NET ASSETS			
Without donor restrictions		2,214,433	1,918,143
With donor restrictions		<u>110,120</u>	<u>127,021</u>
Total net assets		<u>2,324,553</u>	<u>2,045,164</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,957,547</u>	\$ <u>2,242,240</u>

THE MYOSITIS ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 726,390	\$ 248,699	\$ 975,089	\$ 677,098
Investment income	216,928	-	216,928	194,180
Sponsorships	174,500	-	174,500	150,000
Conference and event income	110,219	-	110,219	101,846
Federal grant	94,467	-	94,467	133,395
Contributed services and materials	22,279	-	22,279	3,554
Other revenue	592	-	592	82,919
Net assets released from donor restrictions	<u>265,600</u>	<u>(265,600)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,610,975</u>	<u>(16,901)</u>	<u>1,594,074</u>	<u>1,342,992</u>
EXPENSES				
Program Services	<u>807,816</u>	<u>-</u>	<u>807,816</u>	<u>826,227</u>
Supporting Services:				
General and Administrative	254,502	-	254,502	281,382
Fundraising	<u>252,367</u>	<u>-</u>	<u>252,367</u>	<u>78,950</u>
Total supporting services	<u>506,869</u>	<u>-</u>	<u>506,869</u>	<u>360,332</u>
Total expenses	<u>1,314,685</u>	<u>-</u>	<u>1,314,685</u>	<u>1,186,559</u>
Change in net assets	296,290	(16,901)	279,389	156,433
Net assets at beginning of year	<u>1,918,143</u>	<u>127,021</u>	<u>2,045,164</u>	<u>1,888,731</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,214,433</u>	<u>\$ 110,120</u>	<u>\$ 2,324,553</u>	<u>\$ 2,045,164</u>

THE MYOSITIS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021							2020		
	Program Services				Supporting Services			Total	Total	
	Patient Education and Support	Advocacy	Physician Education	Research Funding	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 110,566	\$ 129,229	\$ 62,973	\$ 37,080	\$ 339,848	\$ 53,965	\$ 98,121	\$ 152,086	\$ 491,934	\$ 372,769
Grants	-	13,708	-	270,000	283,708	-	-	-	283,708	175,258
Professional fees	6,832	2,219	750	-	9,801	84,392	8,841	93,233	103,034	296,193
Conference	38,876	-	-	-	38,876	18,685	40,910	59,595	98,471	29,921
Equipment and supplies	8,973	2,231	1,166	5,216	17,586	5,804	46,440	52,244	69,830	9,928
Rent	11,713	8,239	4,307	19,264	43,523	42,098	16,221	58,319	101,842	156,952
Telecommunications	7,931	4,869	2,546	11,385	26,731	4,150	7,456	11,606	38,337	30,553
Printing and publications	12,677	-	-	-	12,677	5,698	13,767	19,465	32,142	39,791
Postage and shipping	9,584	-	4,998	263	14,845	12,278	2,443	14,721	29,566	22,475
Other	682	-	-	-	682	20,587	2,115	22,702	23,384	16,323
Dues and subscriptions	1,968	792	414	1,853	5,027	4,442	6,208	10,650	15,677	6,259
Depreciation and amortization	2,598	1,827	955	4,272	9,652	1,539	2,798	4,337	13,989	20,907
Insurance	1,308	920	481	2,151	4,860	775	1,408	2,183	7,043	4,003
Travel	-	-	-	-	-	89	5,639	5,728	5,728	5,227
TOTAL	\$ 213,708	\$ 164,034	\$ 78,590	\$ 351,484	\$ 807,816	\$ 254,502	\$ 252,367	\$ 506,869	\$ 1,314,685	\$ 1,186,559

See accompanying notes to financial statements.

THE MYOSITIS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 279,389	\$ 156,433
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	13,989	20,907
Unrealized loss (gain)	221,739	(159,738)
Realized gain	(382,148)	-
Change in discount on receivables	-	(5,053)
Change in measurement of operating lease	35,160	-
Decrease (increase) in:		
Grant and accounts receivable	64,802	107,677
Prepaid expenses and other	5,582	(15,165)
Security deposit	(6,728)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	15,018	23,310
Refundable advance	<u>(100,000)</u>	<u>(163,557)</u>
Net cash provided (used) by operating activities	<u>146,803</u>	<u>(35,186)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(39,617)	(2,490)
Net purchases and sales of investments	<u>288,816</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>249,199</u>	<u>(2,490)</u>
Net increase (decrease) in cash and cash equivalents	396,002	(37,676)
Cash and cash equivalents at beginning of year	<u>119,379</u>	<u>157,055</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 515,381</u>	<u>\$ 119,379</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right-of-Use Asset	<u>\$ 527,000</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 527,000</u>	<u>\$ -</u>

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Myositis Association (TMA) is a non-profit organization, incorporated in the State of Virginia and located in Maryland. TMA's mission is to improve the lives of those affected by inflammatory myopathies. TMA seeks out persons with inflammatory myopathies, provides a support network, acts as a resource for patients and physicians, acts as an advocate for patients and promotes research into the causes and treatment of the diseases.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions".
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with TMA's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2021, TMA early adopted ASU 2019-01, *Leases* (Topic 842) which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements.

TMA applied the new standard at the inception of a new lease that began in 2021 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 7 for further details.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Cash and cash equivalents -

TMA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, TMA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. TMA's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grant and accounts receivable -

Grant and accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Website development costs are amortized over three years. The cost of maintenance and repairs is recorded as expenses are incurred.

The capitalization and ongoing assessment of recoverability of website development costs incurred require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life.

Depreciation and amortization expense for the year ended December 31, 2021 totaled \$13,989.

Income taxes -

TMA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. TMA is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2021, TMA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Revenue -

The majority of TMA's activities are supported by grants, contributions, and sponsorships from other private entities. These awards are for various activities performed by TMA. Grants and contributions are recognized in the appropriate category of net assets in the period received. TMA performs an analysis of the individual grant, contribution, or sponsorship to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants, contributions, and sponsorships qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants, contributions, and sponsorships qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants, contributions, and sponsorships qualifying as conditional contributions contain a right of return from obligation provision that limits TMA on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Funds received in advance are recorded as refundable advances. For grants, contributions, and sponsorships treated as conditional contributions, TMA did not have awards that were deemed conditional during the year ended December 31, 2021.

Transactions classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue when the performance obligations are met. TMA has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Revenue received for registration fees for conference and event income is recorded as revenue when the related event has occurred. The transaction price is determined based on sales price.

Contributed services and materials -

Contributed services and materials consist of materials and services from businesses toward the annual charity event and general operations. Contributed services and materials are recorded at their fair value as of the date of the gift. For the year ended December 31, 2021, the fair value of contributed services and materials was \$22,279.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of TMA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Risks and uncertainties -

TMA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

TMA adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. TMA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact TMA's operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

TMA plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. INVESTMENTS

Investments consisted of the following as of December 31, 2021:

	Fair Value
Mutual funds	\$ 1,142,648
Exchange-traded funds	720,552
TOTAL INVESTMENTS	\$ <u>1,863,200</u>

Included in investment income are the following:

Interest and dividends	\$ 56,519
Unrealized loss	(221,739)
Realized gain	382,148
TOTAL INVESTMENT INCOME	\$ <u>216,928</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, TMA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market TMA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by TMA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by TMA are deemed to be actively traded.
- *Exchange-traded funds* - Valued at the closing price reported on the active market in which the funds are traded.

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. INVESTMENTS (Continued)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2021:

Asset Class:	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Mutual funds	\$ 1,142,648	\$ -	\$ -	\$ -	\$ 1,142,648
Exchange-traded funds	<u>720,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,552</u>
TOTAL	<u>\$ 1,863,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,863,200</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2021:

Website development	\$ 83,047
Furniture and equipment	11,404
Computer equipment	6,463
Leasehold improvements	<u>3,750</u>
Total fixed assets	104,664
Less: Accumulated depreciation and amortization	<u>(67,689)</u>
NET FIXED ASSETS	<u>\$ 36,975</u>

4. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM

On April 9, 2021, TMA received loan proceeds in the amount of \$94,467 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration. During the year ended December 31, 2021, TMA expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and believes they have met all conditions set forth for full forgiveness. Accordingly, under guidance found in FASB ASC 958-605, TMA has recognized the PPP funding as a conditional grant by which all conditions have been met. Grant revenue of \$94,467 is included in Federal grant revenue on the accompanying Statement of Activities and Change in Net Assets. The loan was fully forgiven on December 22, 2021.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Research	\$ 100,362
Conference scholarships	<u>9,758</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 110,120</u>

THE MYOSITIS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Research	\$ 90,728
Conference scholarships	15,925
Other	104,000
Passage of time	<u>54,947</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 265,600</u>

6. LIQUIDITY

TMA has a policy to structure its financial assets to be available and liquid as its obligations become due.

Financial assets available for use within one year of the Statement of Financial Position comprise the following at December 31, 2021:

Cash and cash equivalents	\$ 515,381
Investments	1,863,200
Grant and accounts receivable	<u>325</u>
Subtotal financial assets available within one year	2,378,906
Less: Donor restricted funds	<u>(110,120)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,268,786</u>

7. LEASE COMMITMENTS

On March 23, 2021, TMA entered into a lease agreement for office space in Columbia, Maryland. The term of the lease is seven years and five months. Base rent is \$80,736 per year and the lease does have annual increases.

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update* (ASU) 2016-14 related to *Leases* (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statement of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a generally straight line basis. The guidance in the ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2019 and early adoption is permitted. TMA elected to early implement the ASU. As a result, TMA recorded a right-of-use asset in the amount of \$527,000. TMA recorded an operating lease liability in the amount of \$527,000 by calculating the present value using the discount rate of 4%.

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7. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2022	\$	82,088
2023		84,140
2024		86,236
2025		88,388
2026		90,600
Thereafter		<u>164,057</u>
Total payments		595,509
Imputed interest		<u>(74,609)</u>
	\$	<u>520,900</u>

Rent expense for the year ended December 31, 2021 was \$101,842.

8. RETIREMENT PLAN

TMA has a 401(k) plan allowing employees over twenty one years of age to participate following the completion of 1,000 hours of service. TMA will contribute 3% of the employee's salary. Contributions to the Plan during the year ended December 31, 2021 totaled \$2,828.

9. SUBSEQUENT EVENTS

In preparing these financial statements, TMA has evaluated events and transactions for potential recognition or disclosure through June 21, 2022, the date the financial statements were issued.