

TISCH MULTIPLE SCLEROSIS  
RESEARCH CENTER OF NEW YORK, INC.

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

DECEMBER 31, 2022 AND 2021

INDEX

	<u>Page</u>
Independent Auditor's Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tisch Multiple Sclerosis Research Center of New York, Inc.

### **Opinion**

We have audited the accompanying financial statements of the Tisch Multiple Sclerosis Research Center of New York, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 the Tisch Multiple Sclerosis Research Center of New York, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 the Tisch Multiple Sclerosis Research Center of New York, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Tisch Multiple Sclerosis Research Center of New York, Inc.'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 Tisch Multiple Sclerosis Research Center of New York, Inc.'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 Tisch Multiple Sclerosis Research Center of New York, Inc.'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.

*Art & Anthony* CPA'S LLP

Port Washington, New York

June 16, 2023

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2022	2021
<b>Assets</b>		
Current assets		
Cash and temporary cash investments	\$ 1,447,415	\$ 1,056,415
Pledges receivable	225,000	-
Prepaid expenses and other assets	398,091	361,420
Total current assets	2,070,506	1,417,835
Long term assets		
Security deposit	39,750	39,750
Property and equipment, net	13,464,363	12,662,145
Operating lease right-of-use asset	18,757,164	-
Total long term assets	32,261,277	12,701,895
Total assets	\$ 34,331,783	\$14,119,730
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 325,592	\$ 516,746
Due to related parties	274,930	239,622
Deferred revenue	-	162,000
Deferred rent	-	474,386
Current portion of operating lease liability	2,217,792	-
Total current liabilities	2,818,314	1,392,754
Long term liabilities		
Operating lease liability	17,247,814	-
Total long term liabilities	17,247,814	-
Commitments and contingencies		
Net Assets		
Without donor restrictions	9,979,928	8,448,434
With donor restrictions	4,285,727	4,278,542
Total net assets	14,265,655	12,726,976
Total liabilities and net assets	\$ 34,331,783	\$14,119,730

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

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support and Revenue						
Grants and contributions						
Special events revenue, net of direct special events expenses of \$264,150 and \$9,782 in 2022 and 2021, respectively	\$ 6,445,799	\$ 394,058	\$ 6,839,857	\$ 8,347,997	\$ 615,175	\$ 8,963,172
Program income	3,613,926	-	3,613,926	2,768,420	-	2,768,420
Contributions in kind	375,000	279,000	654,000	375,000	318,000	693,000
Investment loss, net	(14,871)	-	(14,871)	(4,875)	-	(4,875)
Other income	214,309	-	214,309	576,576	-	576,576
Net assets released from restrictions	665,873	(665,873)	-	965,168	(965,168)	-
Total support and revenue	<u>11,300,036</u>	<u>7,185</u>	<u>11,307,221</u>	<u>13,028,286</u>	<u>(31,993)</u>	<u>12,996,293</u>
Expenses						
Program services						
Research	8,015,060	-	8,015,060	8,702,636	-	8,702,636
Public information and education	268,187	-	268,187	41,500	-	41,500
Total program services	<u>8,283,247</u>	<u>-</u>	<u>8,283,247</u>	<u>8,744,136</u>	<u>-</u>	<u>8,744,136</u>
Supporting Services						
Management and general	899,051	-	899,051	989,024	-	989,024
Fundraising	621,528	-	621,528	566,164	-	566,164
Total supporting services	<u>1,520,579</u>	<u>-</u>	<u>1,520,579</u>	<u>1,555,188</u>	<u>-</u>	<u>1,555,188</u>
Total expenses	<u>9,803,826</u>	<u>-</u>	<u>9,803,826</u>	<u>10,299,324</u>	<u>-</u>	<u>10,299,324</u>
Change in net assets	1,496,210	7,185	1,503,395	2,728,962	(31,993)	2,696,969
Net assets - beginning of year	8,448,434	4,278,542	12,726,976	5,751,988	4,310,535	10,062,523
Adjustments to net assets	35,284	-	35,284	(32,516)	-	(32,516)
Net assets - end of year	<u>\$ 9,979,928</u>	<u>\$ 4,285,727</u>	<u>\$ 14,265,655</u>	<u>\$ 8,448,434</u>	<u>\$ 4,278,542</u>	<u>\$ 12,726,976</u>

The accompanying notes are an integral part of these financial statements.  
(5)

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

	Program Services			Supporting Services			Total 2021
	Research	Public Information and Education	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,009,375	-	\$ 2,009,375	\$ 279,054	\$ 104,723	\$ 383,777	\$ 2,393,152
Payroll taxes and related costs	181,438	-	181,438	24,375	9,252	33,627	215,065
Employee benefits	639,501	-	639,501	107,968	29,761	137,729	777,230
Total salaries and related costs	2,830,314	-	2,830,314	411,397	143,736	555,133	3,385,447
Occupancy	2,450,217	-	2,450,217	304,007	304,007	608,014	3,058,231
Laboratory supplies, services and other expenses	1,663,726	-	1,663,726	-	-	-	1,663,726
Insurance	70,094	-	70,094	23,531	7,300	30,831	100,925
Professional services	264,375	267,458	531,833	70,423	82,500	152,923	684,756
Equipment repairs & maintenance	193,484	-	193,484	6,390	-	6,390	199,874
Patient symposium	-	139	139	-	-	-	139
Office expenses and other	28,582	590	29,172	55,945	51,327	107,272	136,444
Conferences and travel	21,817	-	21,817	-	-	-	21,817
Fundraising events and related expenses	-	-	-	-	5,300	5,300	5,300
Depreciation and amortization	492,451	-	492,451	27,358	27,358	54,716	547,167
Special event expenses	-	-	-	-	264,150	264,150	264,150
Subtotal	8,015,060	268,187	8,283,247	899,051	885,678	1,784,729	10,067,976
Less: special events expenses	-	-	-	-	(264,150)	(264,150)	(9,782)
Total expenses	\$ 8,015,060	\$ 268,187	\$ 8,283,247	\$ 899,051	\$ 621,528	\$ 1,520,579	\$ 9,803,826

The accompanying notes are an integral part of these financial statements.  
(6)

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services			Total 2021
	Research	Information and Education	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,079,323	-	\$ 2,079,323	\$ 304,915	\$ 86,213	\$ 391,128	\$ 2,470,451
Payroll taxes and related costs	184,442	-	184,442	38,121	7,046	45,167	229,609
Employee benefits	699,383	-	699,383	98,461	28,121	126,582	825,965
Total salaries and related costs	2,963,148	-	2,963,148	441,497	121,380	562,877	3,526,025
Occupancy	2,495,214	-	2,495,214	308,982	308,982	617,964	3,113,178
Laboratory supplies, services and other expenses	2,143,681	-	2,143,681	-	-	-	2,143,681
Insurance	73,909	-	73,909	22,343	7,624	29,967	103,876
Professional services	296,126	37,500	333,626	71,943	37,500	109,443	443,069
Equipment repairs & maintenance	215,422	-	215,422	12,905	12,905	25,810	241,232
Office expenses and other	13,446	4,000	17,446	103,788	41,456	145,244	162,690
Conferences and travel	5,510	-	5,510	-	-	-	5,510
Fundraising events and related expenses	-	-	-	-	8,751	8,751	8,751
Depreciation and amortization	496,180	-	496,180	27,566	27,566	55,132	551,312
Donated goods and services	-	-	-	-	-	-	-
Special event expenses	-	-	-	-	9,782	9,782	9,782
Subtotal	8,702,636	41,500	8,744,136	989,024	575,946	1,564,970	10,309,106
Less: special events expenses	-	-	-	-	(9,782)	(9,782)	(9,782)
Total expenses	\$ 8,702,636	\$ 41,500	\$ 8,744,136	\$ 989,024	\$ 566,164	\$ 1,555,188	\$ 10,299,324

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

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,503,395	\$ 2,696,969
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Adjustment to net assets	35,284	(32,516)
Depreciation and amortization expense	547,167	551,312
Net realized and unrealized loss on sale of contributed marketable securities	14,871	4,875
Contributed marketable securities	(558,504)	(431,841)
Operating lease right-of-use-asset amortization	234,056	-
Deferred rent	-	304,663
Sub-total	1,776,269	3,093,462
Changes in operating assets and liabilities		
(Increase) Decrease in:		
Pledges receivable	(225,000)	54,000
Prepaid expenses and other assets	(36,671)	17,037
Security deposit	-	(20,457)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(191,154)	(236,130)
Deferred revenue	(162,000)	137,000
Net cash provided by operating activities	1,161,444	3,044,912
Cash flows from investing activities		
Proceeds from sale of contributed marketable securities	543,633	483,719
Purchase of property and equipment	(1,349,385)	(4,587,101)
Net cash used for investing activities	(805,752)	(4,103,382)
Cash flow from financing activities		
Advances from related parties, net	35,308	160,312
Net cash provided by financing activities	35,308	160,312
Net increase (decrease) in cash	391,000	(898,158)
Cash and temporary cash investments - beginning of year	1,056,415	1,954,573
Cash and temporary cash investments - end of year	\$ 1,447,415	\$ 1,056,415

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

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Tisch Multiple Sclerosis Research Center of New York, Inc. ("TMSRCNY") was incorporated in August 2005, under the laws of the State of New York, as a not-for-profit medical research center. TMSRCNY is a qualified charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes and from state and local taxes under comparable laws.

In focusing on finding the cause and eventual cure of multiple sclerosis, TMSRCNY's research is designed to understand all aspects of multiple sclerosis, including research at the cellular and molecular levels.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of TMSRCNY are reported according to two classes of net assets, when applicable: net assets without donor restrictions and net assets with donor restrictions.

**Concentrations of Credit Risk**

TMSRCNY maintains cash in several bank accounts which, at times, may exceed federally insured limits. TMSRCNY has not experienced any losses with respect to such accounts.

**Revenue Recognition**

Contributions (including unconditional promises to give) are recorded at fair value when received. Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give (pledges) are recorded as income when TMSRCNY is formally notified of the grants or contributions by the respective donors. Conditional promises to give are not included as support until the conditions are substantially met.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

TMSRCNY recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.

**Pledges Receivable**

TMSRCNY uses the direct write-off method to account for uncollectible pledges receivable. Such write-offs are based on management's evaluation of the creditworthiness of individual donors, a review of individual donor accounts outstanding, the aging of its receivables, as well as current economic conditions and historical collection experience.

**Investments**

Investments consist of contributed marketable securities and are reported at their fair values in the statements of financial position, which is the prevailing market value.

Unrealized gains and losses are included in the statements of activities. It is the organization's policy to sell all such investments immediately after receipt. However, due to timing differences, realized and unrealized gains or losses may occur.

**Property and Equipment**

Property and equipment are stated at cost if purchased or fair market value if donated, less accumulated depreciation and amortization. Donated property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. TMSRCNY reports expirations of donor restrictions when the donated or acquired assets are placed in service. TMSRCNY reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. TMSRCNY capitalizes property and equipment with a cost of \$2,000 or more and a useful life greater than one year.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**Leases**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, Leases (Topic 842), which requires lease assets and liabilities to be recorded on the balance sheet. TMSRCNY adopted this ASU and related amendments as of January 1, 2022 under the modified retrospective approach and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases.

The adoption of this ASU and related amendments resulted in an increase to total assets and total liabilities by \$21,605,197 in the first quarter of 2022. TMSRCNY's Statement of Operations and Statement of Cash Flows were not impacted. Accounting policies as a result of the adoption of this ASU are described below. Refer to Note 9 for additional lease disclosures.

For any new or modified lease, TMSRCNY, at the inception of the contract, determines whether a contract is or contains a lease. TMSRCNY records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that TMSRCNY will exercise the option. TMSRCNY has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

**In-Kind Donated Goods and Services**

TMSRCNY received contributed goods and services consisting primarily of professional research-related services. The contributed goods and services have been valued at the estimated market rates that would have been incurred by TMSRCNY to obtain them and are reported as both revenue and expense in the accompanying financial statements.

**Intellectual Property**

The primary purpose of TMSRCNY in conducting research is to support its mission to find the cause, treatment and cure for MS. TMSRCNY recognizes that its research may result in discoveries that have commercial value. Therefore, it has adopted a policy that applies to all intellectual property (the "Policy") created through resources of or supported by TMSRCNY.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The policy provides that all rights in intellectual property produced by TMSRCNY resources are its property. To assure reasonable development of such intellectual property, TMSRCNY files for patents when appropriate. The policy also provides that if individual researchers at TMSRCNY were the creators of discoveries that result in income to TMSRCNY, these individuals may receive a share of such income based on a fixed schedule comparable to those in effect at other major research institutions.

**Cost Allocation**

The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization and occupancy, are allocated on a square footage basis. Payroll taxes and employee benefit costs are allocated on the basis of percentage of total salaries. All other expenses are allocated by functional category.

**Rent Expense**

Rent expense is recognized on a straight-line basis over the length of the lease. The difference between rental payments made under the lease and rent expense calculated on a straight-line basis is recorded as a deferred rent obligation in the accompanying statements of financial position.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 - RESTRICTIONS ON NET ASSETS

TMSRCNY launched a capital campaign in 2019 to fund the construction of a new facility, the Experimental Research Center, as an expansion of the existing research laboratory. The donations received to fund this expansion are restricted for use of construction costs, property and equipment purchases, and operating costs of this facility. For years ended December 31, 2022 and 2021, restricted funds in the amount of \$21,749 and \$866,681, respectively, were expended for expenses related to the Experimental Research Center. As of December 31, 2022, substantially all of the restricted fund expenditures have been incurred and are classified within construction in progress. These costs will be reclassified from net assets with donor restrictions to net assets without donor restrictions when the acquired assets are placed in service.

TMSRCNY is also conducting a Phase II clinical trial, which is funded through two large grants and private donations. These funds are restricted for the operating costs of the trial.

For the years ended December 31, 2022 and 2021, net assets with donor restrictions of \$665,873 and \$965,168, respectively, were released from donor restrictions. Interest earned on the investment of restricted support is without donor restrictions.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give consisting of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amount due in less than one year	<u>\$ 225,000</u>	<u>\$ -</u>

There were no uncollectible pledges written off in either year.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,672,415	\$ 1,056,415
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for leasehold improvements and capital expenditures	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,672,415</u>	<u>\$ 1,056,415</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 8,550,683	\$ 8,368,683	Lesser of useful life or the term of the lease
Research equipment	5,066,875	5,043,193	5 - 10 years
Office furniture and equipment	1,022,400	1,022,400	3 - 10 years
Software	19,895	19,895	3 years
Construction in progress	8,673,795	7,548,350	
Total cost	<u>23,333,648</u>	<u>22,002,521</u>	
Less: accumulated depreciation and amortization	<u>(9,869,285)</u>	<u>(9,340,376)</u>	
Net book value	<u>\$13,464,363</u>	<u>\$12,662,145</u>	

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Depreciation and amortization expense amounted to \$547,167 and \$551,312 for the years ended December 31, 2022 and 2021 respectively.

NOTE 7 - IN-KIND DONATED GOODS AND SERVICES

TMSRCNY receives contributed goods and services, which are valued at the estimated market rates on the date they are received. The Director/Chief Research Scientist of TMSRCNY (the "Director") is a member of the Board of Directors of TMSRCNY (see Note 8). He donates time to TMSRCNY without compensation from TMSRCNY, as noted below.

Contributed goods and services consist of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Research related services provided by the Director	<u>\$ 375,000</u>	<u>\$ 375,000</u>
	<u>\$ 375,000</u>	<u>\$ 375,000</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

Pursuant to an agreement between TMSRCNY and the International Multiple Sclerosis Management Practice ("IMSMP"), a separate and distinct for-profit company, TMSRCNY shares space in the same facility with IMSMP and, consequently, shares certain costs (including leasehold improvements) associated with the facility, which have been allocated based on the square-foot usage for each entity. In addition, IMSMP may from time to time provide advances to TMSRCNY.

TMSRCNY also engages IMSMP and its related entity, the Multiple Sclerosis Medical Practice of New York ("MSMPNY"), to perform certain clinical services in connection with its research. As of December 31, 2022, and 2021, TMSRCNY owed \$274,930 and \$239,622, respectively, to IMSMP and MSMPNY for its share of these costs, as well as rent, advances, and clinical services.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The Director of TMSRCNY is also the sole stockholder of IMSMP and MSMPNY. TMSRCNY's Board of Directors oversees and controls the policies, management and activities of TMSRCNY. The criteria of control and economic interest that might require consolidation of the financial statements of IMSMP and TMSRCNY under U.S. GAAP are not met. Procedures are in place to ensure the proper allocation of expenses between each organization.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Lease Commitments**

TMSRCNY and IMSMP share space pursuant to a sublease, as amended, that commenced on January 1, 2006 and was renewed on June 30, 2020, whereby IMSMP subleases to TMSRCNY a portion of the 3<sup>rd</sup> and 4<sup>th</sup> floors at 521 West 57<sup>th</sup> Street, New York, NY to TMSRCNY (see Note 7). IMSMP has renewed its lease through June 30, 2030, with the option to extend the term an additional five years. TMSRCNY has extended its sublease with IMSMP for through June 29, 2030. TMSRCNY has an obligation as a lessee for this office space under a noncancelable lease ending on June 29, 2030. TMSRCNY classified this lease as an operating lease.

The following summarizes the line items in the balance sheet which include amounts for this operating lease as of December 31, 2022:

Operating lease right-of-use-asset	<u>\$ 18,757,164</u>
Operating lease liability - current	\$ 2,217,792
Operating lease liability - long-term	17,247,814
Total operating lease liability	<u>\$ 19,465,606</u>

The ROU asset and lease liability were calculated utilizing the risk-free discount rate (1.5%), according to TMSRCNY's elected policy. The remaining lease term on the lease is approximately 7.5 years.

Supplemental cash flow information:

	<u>2022</u>
Cash paid for amounts included in measurement of lease liability:	
Operating cash flow from operating lease	\$ 2,424,198
ROU asset obtained in exchange for operating lease liability	\$21,605,197

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The maturities of lease liabilities as of December 31, 2022 were as follows:

2023	\$	2,496,924
2024		2,571,832
2025		2,648,987
2026		2,728,457
2027		2,810,310
Thereafter		<u>7,388,837</u>
Total lease payments		<u>20,645,347</u>
Less: imputed interest		<u>(1,179,741)</u>
Present value of lease liabilities	\$	<u>19,465,606</u>

The rent expense allocated to TMSRCNY is apportioned based on its square foot usage and/or future intended usage. TMSRCNY is committed by the terms of the sublease to pay a proportionate share of escalation charges.

Rent expense computed on the straight-line basis, totaled \$2,658,254 each year for the years ended December 31, 2022 and 2021 and is included in occupancy expense in the accompanying financial statements. TMSRCNY recorded a deferred rent liability at December 31, 2021 of \$474,386.

**Income Taxes**

TMSRCNY is not aware of any uncertain tax positions as of December 31, 2022 and 2021 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. TMSRCNY is no longer subject to federal or state and local income tax examinations by tax authorities for the years ended before December 31, 2019.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 10 - EMPLOYEE RETIREMENT PLAN

TMSRCNY maintains an employee benefit plan under section 401(k) of the Internal Revenue Code (the "Plan") into which eligible employees may contribute a portion of their annual salaries. Under the terms of the plan, TMSRCNY may provide a discretionary matching contribution of the employees' contributions up to 8% of their annual salary. For the years ended December 31, 2022 and 2021, TMSRCNY elected to match its employees' contributions, limited to 8% of their annual salary resulting in an expense of \$108,401 and \$123,643 which is included in employee benefits in the accompanying financial statements.

NOTE 11 - CONCENTRATIONS OF MAJOR DONORS

For the years ended December 31, 2022 and 2021, TMSRCNY received contributions from major donors, as follows:

	<u>2022</u>	<u>2021</u>
Number of major donors	3	2
Amount donated	\$ 4,847,000	\$ 5,500,000
% of total support and revenue	43%	42%

In 2022, the major donors consisted of two not-for-profit foundations, one of which is controlled by a Board member, and an individual donor. In 2021, the major donors consisted of a not-for-profit foundation, one of which is controlled by a Board Member, and an individual donor. One of the not-for-profit foundations was the same in both years.

NOTE 12 - GOVERNMENT ASSISTANCE

In 2022, TMSRCNY received Employee Retention Tax Credits in the amount of \$208,196, as well as interest income totaling \$5,874. TMSRCNY has applied for additional employee retention tax credits of \$725,000, which are expected to be received in 2023.

In 2021, TMSRCNY received a loan in the amount of \$574,695 from the Small Business Administration under the Paycheck Protection Program. The loan, including interest expenses in the amount of \$3,942 qualified fully for forgiveness.

The tax credits and loan forgiveness are recorded as other income in the accompanying financial statements.

TISCH MULTIPLE SCLEROSIS RESEARCH CENTER OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 16, 2023, the date the financial statements were available to be issued.