Muscular Dystrophy Association, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2022
(With Comparative Information for December 31, 2021)

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Muscular Dystrophy Association, Inc.

Index

Independent Auditor's Report

To the Board of Directors
Muscular Dystrophy Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muscular Dystrophy Association, Inc., 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Muscular Dystrophy Association, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Muscular Dystrophy Association, 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 these 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 Muscular Dystrophy Association Inc.'s ability to continue as a going concern for 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, 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 Muscular Dystrophy Association'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 Muscular Dystrophy Association 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.

Report on Summarized Comparative Information

We have previously audited Muscular Dystrophy Association Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 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.

CohnReznick LLP

Chicago, Illinois
May 5, 2023

Muscular Dystrophy Association, Inc.

Statement of Financial Position
December 31, 2022
(With Comparative Totals as of December 31, 2021)

Assets

	2022	2021
Assets		
Cash and cash equivalents	$ 10,082,964	$ 11,632,247
Contributions receivable, net	1,853,572	2,769,668
Investments	45,126,857	54,607,036
Prepaid expenses and other assets	4,481,704	3,035,485
Beneficial interest in charitable remainder trusts	24,911	24,911
Fixed assets, net	2,833,812	3,495,647
Total assets	$ 64,403,820	$ 75,564,994

Liabilities and Net Assets

	2022	2021
Liabilities		
Accounts payable and accrued expenses	$ 6,841,579	$ 5,293,050
Research and training grants payable	2,897,572	5,380,356
Revolving line of credit	-	8,000,000
SBA PPP loan	-	2,067,353
Term loan, net of unamortized debt issuance cost of $30,933 and $0, respectively	7,969,067	2,500,000
Operating lease liability	542,296	-
Deferred revenue	3,023,278	2,265,058
Pension and postretirement plan obligations	36,321,364	45,337,427
Total liabilities	57,595,156	70,843,244
Commitments and contingencies		
Net assets		
Without donor restrictions	3,229,419	980,444
With donor restrictions	3,579,245	3,741,306
Total net assets	6,808,664	4,721,750
Total liabilities and net assets	$ 64,403,820	$ 75,564,994

See Notes to Financial Statements.

Muscular Dystrophy Association, Inc.

Statement of Activities
Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
Revenue				
Public support				
Received directly				
Special events	$ 44,696,780	$ -	$ 44,696,780	$ 37,059,630
Less fund-raising direct benefit costs	(2,655,523)	-	(2,655,523)	(1,596,499)
Special events, net	42,041,257	-	42,041,257	35,463,131
Contributions	13,377,560	1,169,643	14,547,203	15,138,711
Total received directly	55,418,817	1,169,643	56,588,460	50,601,842
Received indirectly - combined federal campaign and combined health appeals	376,985	-	376,985	248,583
Total revenue from the public	55,795,802	1,169,643	56,965,445	50,850,425
Other revenue				
Interest income	204,361	-	204,361	158,853
Revenue from government awards	404,491	-	404,491	330,000
Total revenue	56,404,654	1,169,643	57,574,297	51,339,278
Net assets released from restrictions	1,242,437	(1,242,437)	-	-
Total revenue and support	57,647,091	(72,794)	57,574,297	51,339,278
Expenses				
Program services				
Patient and community services	19,839,275	-	19,839,275	13,545,923
Research	6,422,683	-	6,422,683	7,730,993
Professional public health education	12,223,822	-	12,223,822	5,772,023
Total program services	38,485,780	-	38,485,780	27,048,939
Supporting services				
Fundraising	16,008,176	-	16,008,176	22,045,509
Management and general	3,501,641	-	3,501,641	3,217,113
Total supporting services	19,509,817	-	19,509,817	25,262,622
Total expenses	57,995,597	-	57,995,597	52,311,561
Increase (decrease) in net assets from operations	(348,506)	(72,794)	(421,300)	(972,283)
Other non-operating items				
Net investment return	(8,418,237)	(89,267)	(8,507,504)	6,312,176
Forgiveness of SBA PPP loan	2,000,000	-	2,000,000	8,659,377
Changes in unrecognized benefit plan costs	9,015,718	-	9,015,718	14,432,141
Total other gains (losses)	2,597,481	(89,267)	2,508,214	29,403,694
Change in net assets	2,248,975	(162,061)	2,086,914	28,431,411
Net assets, beginning of year	980,444	3,741,306	4,721,750	(23,709,661)
Net assets, end of year	$ 3,229,419	$ 3,579,245	$ 6,808,664	$ 4,721,750

See Notes to Financial Statements.

Muscular Dystrophy Association, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Patient and Community Services	Research	Professional and Public Health Education	Total Program Services	Fundraising	Management and General	2022 Total	2021 Total
Salaries Benefits and Taxes	$ 8,237,105	$ 1,318,649	$ 5,568,803	$ 15,124,557	$ 8,372,214	$ 523,111	$ 24,019,882	$ 20,703,631
Awards, Grants, and Fellowships	-	4,837,983	-	4,837,983	-	-	4,837,983	6,499,657
Contract Services and Professional Fees	982,281	54,399	3,485,045	4,521,725	2,152,265	447,231	7,121,221	5,044,366
Disbursements made on behalf of Individuals	7,928,092	31,158	13,210	7,972,460	-	-	7,972,460	6,620,684
Indirect Event Expenses	421,898	-	541,769	963,667	1,265,694	-	2,229,361	1,267,157
Other Operating Expenses	321,414	26,104	932,750	1,280,268	672,507	630,617	2,583,392	3,753,904
Occupancy	11,719	1,192	3,378	16,289	118,822	480,108	615,219	1,602,216
Office Supplies and Equipment	1,239,601	60,119	170,379	1,470,099	946,623	387,689	2,804,411	2,718,923
Printing, Visual Aids, Etc.	29,173	-	609,298	638,471	908,799	1,691	1,548,961	1,459,148
Postage and Shipping	499	-	814,742	815,241	1,124,802	21,428	1,961,471	1,081,205
Telephone and Internet	66,658	7,691	21,792	96,141	120,498	48,712	265,351	452,087
Depreciation	535,102	-	-	535,102	-	608,248	1,143,350	990,442
Travel, Lodging, Conferences, and Meetings	65,733	85,388	62,656	213,777	325,952	352,806	892,535	118,141
Total	$ 19,839,275	$ 6,422,683	$ 12,223,822	$ 38,485,780	$ 16,008,176	$ 3,501,641	$ 57,995,597	$ 52,311,561

See Notes to Financial Statements.

Muscular Dystrophy Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 2,086,914	$ 28,431,411
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized gain on investments	(2,570,452)	(2,191,236)
Unrealized loss on investments	11,265,311	-
(Gain) loss on disposed assets	-	89,439
Depreciation	1,143,350	990,442
Right-of-use asset amortization	58,052	-
Amortization of debt issuance costs	1,067	-
Changes in recognized benefit plan costs	-	(1,043,183)
Changes in unrecognized benefit plan costs	(9,015,718)	(14,432,141)
Forgiveness of SBA PPP loan	(2,000,000)	(8,659,377)
Changes in assets and liabilities:		
Contributions receivable	916,096	329,369
Right-of-use asset	(459,384)	-
Prepaid expenses and other assets	(1,446,219)	15,154
Accounts payable, accrued expenses, and deferred revenue	2,306,749	2,154,484
Operating lease liability	542,296	-
Research and training grants payable	(2,482,784)	(2,301,635)
Net cash provided by operating activities	345,278	3,382,727
Cash flows from investing activities		
Proceeds from sale of investments	5,340,126	5,054,391
Purchases of investments	(4,613,203)	(4,193,256)
Purchases of fixed assets	(22,131)	-
Net cash provided by investing activities	704,792	861,135
Cash flows from financing activities		
Principal payments on term loan	(2,500,000)	(2,500,000)
Payoff of revolving line of credit	(8,000,000)	-
Proceeds from new term loan	8,000,000	-
Debt issuance costs paid	(32,000)	-
(Payments on) proceeds from SBA PPP loan	(67,353)	2,000,000
Net cash used in financing activities	(2,599,353)	(500,000)
Net change in cash and cash equivalents	(1,549,283)	3,743,862
Cash and cash equivalents, beginning of year	11,632,247	7,888,385
Cash and cash equivalents, end of year	$ 10,082,964	$ 11,632,247
Supplemental disclosures for cash flow information:		
Cash paid for interest	$ 271,869	$ 199,898
Supplemental schedule of noncash activities:		
Decrease in prepaid and other assets	$ -	$ 2,675,510
Increase in fixed assets	-	(2,675,510)
Right of use asset	(930,198)	-
Lease liability	1,053,494	-
Deferred rent	(123,296)	-
	$ -	$ -

See Notes to Financial Statements.

Note 1 - Organization

Muscular Dystrophy Association, Inc. (the "Association") is a not-for-profit national voluntary health agency supporting worldwide research at hundreds of universities and hospitals to find effective treatments and cures for neuromuscular diseases. Through more than 150 Association-supported, hospital-affiliated care centers and its field offices nationwide, the Association offers comprehensive medical services, education, and support to patients and their families. The Association produces and distributes educational information about neuromuscular diseases in the form of publications and seminars for the medical and scientific community and the general public. The Association receives the vast majority of its revenue from individual contributors.

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Association has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements include the assets, liabilities, net assets and financial activities of the Association. The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include the valuation of investment gains and losses, the functional allocation of expenses, fair value measurements associated with investments and charitable trusts, and the assumptions used in calculating the pension and post retirement plan obligations.

Cash and cash equivalents

The Association considers all highly liquid short-term investments with an original maturity date of three months or less from the date of purchase to be cash equivalents.

Concentration of credit risk

Certain financial instruments, primarily cash, cash equivalents and investments, subject the Association to credit risk. The Association maintained cash balances (noninterest-bearing) in 2022 and 2021 at a financial institution in excess of the federally insured limit; however, the Association has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Concentrations of credit risk with respect to contributions receivable are limited due to the Association's policy of not recording contributions receivable until they have a contract commitment or third-party confirmation. While management uses the best information available in making its determination, the ultimate recovery of recorded contributions receivable is also dependent upon future economic and other conditions that may be beyond management's control.

Beneficial interest in charitable trusts

The Association is the beneficiary under various irrevocable charitable remainder trusts for which it does not act as the trustee. The income is recognized when the Association has an irrevocable right to the gift and the proceeds are measurable, and is included in contributions within the accompanying statements of activities. These consist primarily of irrevocable gifts to the Association through wills and bequests for which the cash has not yet been received. Beneficial interest in charitable remainder trusts is reported at the market value of the investments of the trust, as reported by the trustees, and adjusted based on the estimated life expectancy of the donor. The allowance for uncollectible accounts is estimated by management based upon historical experience and factors relating to specific gifts to reduce the beneficial interest in charitable remainder trusts balance to net realizable value. Management determined an allowance for doubtful accounts of $0 to be necessary for beneficial interest in charitable remainder trusts at December 31, 2022 and 2021, respectively.

Contributions receivable

Certain unrelated organizations conduct fundraising programs on behalf of the Association, whereby they collect donations from their patrons and remit the proceeds to the Association. The Association records the amounts collected on behalf of the Association prior to year-end but not yet remitted to the Association until the subsequent period as contributions receivable.

Investments

Investments, other than money market funds and interest-bearing deposits, are reflected in the accompanying financial statements at fair value according to U.S. GAAP. All investment activity is reflected in the accompanying statement of activities as net investment return.

Fixed assets

Fixed assets are carried at cost at the date of purchase or estimated fair value at date of donation.

The estimated useful lives for each asset group are as follows:

	Estimated life	Method
Leasehold improvements	5 - 6 years	Straight-line
Furniture and equipment	3 - 7 years	Straight-line
Software	3 - 5 years	Straight-line

Net assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions using the following classifications:

Without donor restrictions - Represents unrestricted resources available for support of daily operations and contributions received with no donor restriction. The Board may designate certain net assets for a particular function or activity.

With donor restrictions - Represents resources that are subject to restrictions imposed by the donor that will be met either by actions of the Association or the passage of time or are restricted to investments in perpetuity. When a donor restriction has been satisfied by incurred expenses consistent with the designated purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions for reporting of related expenses.

Research and training grants payable

The Association awards research and training grants each year to physicians and scientists in the United States and abroad who are seeking the cause of, and cures or effective treatments for, the neuromuscular disorders covered by the Association's programs. These grants generally extend over a period of one to three years. The Association records the initial year's liability and corresponding expense for these grants after they have been recommended for approval by the Association's scientific or medical advisory committees and approved by the Board of Directors. Funding of the remaining committed future amounts of grants is contingent upon satisfactory scientific and/or medical review and availability of funds.

Contributions

All contributions are considered to be available for the program or supporting services of the Association unless explicitly restricted by the donor. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose for the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Donations received and expended in the same year are classified as gifts without donor restrictions.

Contributed services

A substantial number of volunteers from the business community; organized labor; civic, fraternal and youth organizations; and the public at large have contributed their services to support the Association's research, patient and community services, and professional and public health education programs, as well as its fundraising and administrative activities. The value of these contributed services does not meet the criteria for recognition prescribed by generally accepted accounting principles and accordingly, is not recognized in these financial statements.

Donated collection items

The Association does not capitalize donated works of art or recognize them as revenues or gains. Donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; and are protected, kept unencumbered, cared for, and preserved.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Included in each functional category are the expenses directly attributable to that functional area plus certain indirect or shared costs that have been allocated to the functional area. The allocated costs include field office and some executive salaries, benefits and operating expenses. The allocation was based on a time study that determined what percentage of time employees spend working within each functional area in addition to an allocation of expenses based on reporting from the accounting system.

Leases

The Association leases office spaces in two states. All contracts that implicitly or explicitly involved property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Association recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Association has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Association remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

Leases involving real estate
Leases for the Association's corporate headquarters and satellite office have lease terms that generally range from 1 to 5 years. Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Certain leases of real estate provide for rental increases based on the CPI, which are included in the Association's measurement of lease payments based on the rate or index in effect at lease commencement and are therefore included in the measurement of the lease liabilities.

Recently adopted accounting pronouncement
The Association adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Association elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.

- The package of practical expedients permitting the Association to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Association made the following adjustments as of the adoption date in connection with transitioning to Topic 842:

	As of January 1, 2022
Operating lease right of use assets	$ 930,198
Operating lease liabilities	$ 1,053,494

The Association's adoption of Topic 842 also resulted in a decrease of $123,296 in deferred rent and deferred lease incentives, which was reclassified to operating lease right of use assets at adoption. The adoption of Topic 842 did not have a material impact on the Association's net loss for the year ended December 31, 2022.

The Association includes its right of use assets for operating leases within property, plant and equipment and the corresponding lease liabilities within lease liabilities in its balance sheets. See Note 8 regarding the Association's right of use assets and regarding its lease liabilities.

Finally, the Association has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component.

Note 3 - Revenue recognition

Special events

Special events revenue is recorded equal to the fair value of the direct benefits to donors and to contribution income for the excess received when the event takes place. Sponsorships are recorded upon receipt of a letter of agreement and have no future performance obligations or extended payment terms. All revenue is recognized upon completion of an event.

Contributions

The Association recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions. The Association had accounts receivable of $3,099,037 at January 1, 2021.

Federal campaign and combined health appeals

Transactions from third-party employee contribution programs are recorded as federal campaign and combined health appeals. Donations are recorded at the time of receipt.

Revenue from government awards

Revenue from governmental contracts and grants are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2022, there are no conditional contributions that have not been recognized.

Other revenue

Proceeds from the sale of donated securities are recorded at the time of sale and there are no future performance obligations.

Note 4 - Availability and liquidity

The following represents the Association's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 10,082,964	$ 11,632,247
Investments	45,126,857	54,607,036
Contributions receivable	1,853,572	2,769,668
Total financial assets	57,063,393	69,008,951
Less amounts not available to be used within one year		
Net assets with donor restrictions	(3,579,245)	(3,741,306)
Financial assets available to meet general expenditures within one year	$ 53,484,148	$ 65,267,645

Liquidity management
The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Association invests cash in excess of daily requirements in short-term investments and money market funds.

As more fully described in Note 10, the Association has a revolving credit facility in the amount of $3,000,000 and term loan facility of $8,000,000, with remaining loan availability of $3,000,000 and $0, respectively. The Association has $3,000,0000 available to draw upon in the event of an unanticipated liquidity need.

Note 5 - Investments

Fair value measurements
Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Association considers the most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes observable requires significant judgment. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Quoted prices, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly or indirectly.

Level 3 - Inputs that are unobservable for the assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

In a prior year, the Association converted its $1,000,000 receivable with AavantiBio, a biotechnology company committed to developing new gene therapies, into preferred stock valued $1,074,301. The preferred stock did not carry interest and included a cumulative dividend of 8%. At December 31, 2021, the investment value in AavantiBio is $1,074,301. During the year ended December 31, 2022, the investment was considered a research grant as it became apparent that no further advancements were going to be made. During the year ended December 31, 2022, AavantiBio was sold to a publicly traded company called Solid Biosciences Inc. The Association's investment balance of $1,074,301 was converted to stock in Solid Biosciences Inc. At December 31, 2022, the investment value in Solid Biosciences Inc. is $76,213, and the Association recorded the loss of $998,088 as a non-formal grant.

During the year ended December 31, 2022, the Association invested $650,000 in exchange for 448,740 shares of preferred stock in Myosana Therapeutics, Inc., a company leading the efforts in developing new gene therapies that will slow skeletal muscle degeneration and heart failure. Investing in developing therapies have unpredictable scientific and financial outcomes, and the investment in Myosana Therapeutics, Inc. without a readily determinable fair value was recorded at cost, less impairment, which results in a $0 net investment value at December 31, 2022.

The following table discloses assets carried at fair value at December 31, 2022 by the level of observable input:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Income:				
U.S. treasury notes	$ 35,016	$ -	$ -	$ 35,016
Mutual funds	13,641,285	-	-	13,641,285
Equities:				
Mutual funds	31,374,343	-	-	31,374,343
Preferred stock:				
Solid Biosciences, Inc.	76,213	-	-	76,213
Subtotal	45,126,857	-	-	45,126,857
Beneficial interest in charitable remainder trusts	-	-	24,911	24,911
Total	$ 45,126,857	$ -	$ 24,911	$ 45,151,768

The following table discloses assets carried at fair value at December 31, 2021, by the level of observable input:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed Income:				
U.S. treasury notes	$ 39,895	$ -	$ -	$ 39,895
Mutual funds	12,255,172	-	-	12,255,172
Equities:				
Mutual funds	41,237,668	-	-	41,237,668
Preferred stock:				
AavantiBio	-	-	1,074,301	1,074,301
Subtotal	53,532,735	-	-	54,607,036
Beneficial interest in charitable remainder trusts	-	-	24,911	24,911
Total	$ 53,532,735	$ -	$ 24,911	$ 54,631,947

Note 6 - Comparative financial information

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 the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived. The Association's financial statements for the year ended December 31, 2021, audit report dated May 6, 2022, expressed an unmodified opinion on those statements.

Note 7 - Fixed assets

Fixed assets are comprised of the following as of December 31, 2022 and 2021:

	2022	2021
Leasehold improvements	$ 28,283	$ 28,283
Furniture and equipment	1,606,141	1,592,635
Software	5,169,585	5,160,960
Subtotal	6,804,009	6,781,878
Accumulated depreciation	(4,429,581)	(3,286,231)
Non-lease property, plant, and equipment, net	2,374,428	3,495,647
Operating lease right of use assets	459,384	-
Net	$ 2,833,812	$ 3,495,647

Depreciation expense for the years ended December 31, 2022 and 2021 totaled $1,143,350 and $990,442, respectively.

Note 8 - Operating leases

Supplemental cash flow information related to the Association's operating leases for the year ended December 31, 2022:

	Operating Leases
Cash paid for amounts included in the measurement of lease liabilities	$ 552,326
Addition to right of use assets	$ 930,198

Weighted average remaining lease term and weighted average incremental borrowing rate for the Association's leases as of December 31, 2022:

	Operating Leases
Weighted average remaining term (in years)	1.20
Weighted average incremental borrowing rate	5.50%

Annual maturity analysis of the Association's lease liabilities as of December 31, 2022:

	Operating leases
2023	$ 479,443
2024	68,730
2025	11,479
Total lease payments	559,652
Less: Interest	(17,356)
Total lease liability	$ 542,296

Note 9 - Allocation of joint costs

Costs incurred for informational materials and activities that include fundraising appeals are allocated to program and supporting services based upon the content of the materials or activities, the audience to whom the materials and activities are addressed, and the reasons for distributing the materials or conducting the activities.

Joint costs are allocated in the following manner for the years ended December 31, 2022 and 2021:

	2022	2021
Professional and public health education	$ 1,349,191	$ 537,347
Management and general	-	909,165
Fundraising	2,023,786	2,284,141
Total	$ 3,372,977	$ 3,730,653

Note 10 - Letter of credit

The Association has an outstanding letter of credit issued by JPMorgan Chase Bank as of December 31, 2022, that secures the three remaining annual payments of $40,000 to an award recipient. There have been no draws on such letter of credit since it was obtained in 2006.

Note 11 - Line of credit and term loan

The Association had a revolving line of credit with a financial institution in the amount of $11,000,000, that bore interest at the one-month daily LIBOR rate. As of December 31, 2021, $8,000,000 was outstanding. During the year ended December 31, 2022, the Association repaid the outstanding balance on the revolving line of credit and entered into a new revolving line of credit in the amount of $3,000,000, bearing interest at BSBY one-month index plus spread of 0.85%. At December 31, 2022, interest rate is 5.78%. Repayments on the revolving line of credit shall be interest only, with the entire principal balance due at maturity. The revolving line of credit matures on September 30, 2024. During the year ended December 31, 2022, no amounts were drawn on the revolving line of credit.

The Association had a term loan in the amount of $7,500,000, that bore interest at 3.0%. The term loan was set to mature on October 31, 2022. On October 10, 2022, the Association entered into a new term loan in the amount of $8,000,000, and the old term loan was paid in full. The new term loan interest rate is 5.5%. No payments on the new term loan were due in 2022. The term loan matures on September 30, 2027. The Association and the financial institution agreed to reduce the outstanding principal balance by certain amounts as outlined below. At December 31, 2022 and 2021, $8,000,000 and $2,500,000 was outstanding and $271,869 and $199,898 of interest expense was incurred, respectively.

Annual payments on the term loan through December 31, 2027 are as follows:

Year ending December 31, 2023	$	1,600,000
2024		1,600,000
2025		1,600,000
2026		1,600,000
2027		1,600,000
Total	$	8,000,000

Note 12 - Employee benefit plans

The Association has a noncontributory defined benefit retirement plan (the "Plan") covering all employees hired prior to April 1, 2006, and who have been employed by the Association for more than one year. Pension costs are generally funded at the amount recommended by the Association's actuaries. Benefits to retirees are based on a percentage of their annual compensation for each year of service prior to retirement. As of December 31, 2010, the Association froze benefit accruals in the retirement plan to fully vested participants.

On April 1, 2006, the Muscular Dystrophy Association, Inc. Savings Plan ("Savings Plan"), a 403(b) Employee Retirement Income Security Act of 1974 qualifying plan, was established. Eligibility to participate in the Savings Plan is immediate and 100% of the value of the pretax matching contributions is vested immediately. The employer contributions made during the years ended December 31, 2022 and 2021 were $332,035 and $110,853, respectively.

Life insurance coverage is continued during retirement at an amount equal to the lesser of $25,000 or the retiree's annual salary. Upon reaching the age of 70, this benefit is reduced by 50% to a maximum of $12,500. Postretirement benefits are funded as incurred. Subsequent to December 31, 2016, the Association terminated the retiree life insurance program for postretirement benefits effective June 30, 2017, such that effective July 1, 2017, the Association will no longer provide life insurance coverage to former employees.

The following table sets forth the Plan's change in the benefit obligation at December 31, 2022 and 2021 as follows:

	2022	2021
Benefit obligation at beginning of the year	$ 157,905,536	$ 169,683,897
Interest cost	3,766,212	3,190,311
Actuarial loss (gain)	(37,535,921)	(6,722,724)
Benefits Paid	(8,206,478)	(8,245,948)
Benefit obligation at end of year	$ 115,929,349	$ 157,905,536

The pension benefits' actuarial gain for the years ended December 31, 2022 and 2021 are due to longer life expectancies in mortality assumptions and a higher discount rate.

The accumulated benefit obligation at December 31, 2022 and 2021 was $115,929,349 and $157,905,536, respectively.

The aggregate amount recognized in net periodic pension expense during the years ended December 31, 2022 and 2021 amounted to $1,170,296 and $920,014, respectively. The components of the net periodic benefit are as follows:

	2022	2021
Service cost - benefits earned during the period	$ -	$ -
Interest cost on projected benefit obligations	3,766,212	3,190,311
Expected return on plan assets	(6,093,791)	(6,155,653)
Amortization of net loss	3,497,875	3,885,356
Net periodic pension expense	$ 1,170,296	$ 920,014

Assumptions used to determine the funded status for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Discount rate	5.49%	2.97%

Assumptions used to determine net periodic benefit cost for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Discount rate	2.97%	2.53%
Expected return on assets	5.90%	5.90%

During 2022 and 2021, the Association elected to use the "spot rate" methodology to determine the interest cost components of net periodic benefit cost. Under this method, the Association selects a yield curve, not a discount rate for measuring benefits' obligations.

The following sets forth the unfunded status at December 31, 2022 and 2021:

	2022	2021
Plan assets at fair value, primarily invested in stocks and bonds	$ 79,608,921	$ 112,568,109
Projected benefit obligation	(115,929,349)	(157,905,536)
Unfunded status recognized in the statement of financial position	$ (36,320,428)	$ (45,337,427)

For the year ended December 31, 2022, pension and postretirement benefits paid were $8,206,478 and pension and postretirement contributions were $0. For the year ended December 31, 2021, pension and postretirement benefits paid were $8,245,948 and pension and postretirement contributions were $0. The expected employer contribution for the 2023 plan year for pension and postretirement benefits is $1,200,000. The following future benefits are expected to be paid through December 31, 2027 and thereafter:

Year ending December 31, 2023	$ 8,157,328
2024	8,097,860
2025	8,058,004
2026	8,080,423
2027	8,158,866
Thereafter	40,466,814
Total	$ 81,019,295

The expected long-term rate of return on asset assumptions is 5.90%; this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and the historical rates of return for each individual asset class.

The primary investment objective is to achieve long-term capital appreciation, while reducing funded status volatility to the extent possible as a secondary objective. The Association's investment guideline calls for a long-term target of 75% of the portfolio in Growth assets, and 25% of the portfolio in Immunizing assets as of June 30, 2022. The Growth Portfolio includes allocations to public equity, core fixed income, non-core fixed income, real assets and tactical tilts. The Growth Portfolio and Immunizing Portfolio weights are subject to +/- 10% ranges at the total portfolio level.

The fair values of the pension plan assets, by the level of observable input and based on market approach, as of December 31, 2022, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Interest-bearing cash equivalents	$ 2,086,591	$ -	$ -	$ 2,086,591
Common stock:				
Mutual funds	38,827,338	-	-	38,827,338
Fixed income				
Mutual funds - balanced	4,215,204	-	-	4,215,204
Mutual funds - international	4,070,035	-	-	4,070,035
Mutual funds	30,409,753	-	-	30,409,753
Total	$ 79,608,921	$ -	$ -	$ 79,608,921

The fair values of the pension plan assets, by the level of observable input and based on market approach, as of December 31, 2021, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Interest-bearing cash equivalents	$ 2,939,248	$ -	$ -	$ 2,939,248
Common stock:				
Mutual funds	57,209,489	-	-	57,209,489
Fixed income				
Mutual funds - balanced	5,746,434	-	-	5,746,434
Mutual funds - international	5,549,227	-	-	5,549,227
Mutual funds	41,123,711	-	-	41,123,711
Total	$ 112,568,109	$ -	$ -	$ 112,568,109

Note 13 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Beneficial interest in charitable remainder trusts	$ 24,911	$ 24,911
Subject to expenditures for specific purposes:		
Program expenses	2,815,534	2,888,340
Research	-	57,956
Support the mission	68,783	68,783
Duchenne research	670,017	701,316
Total	$ 3,579,245	$ 3,741,306

Net assets of $1,242,437 and $864,325 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31, 2022 and 2021, respectively.

Note 14 - Endowment net assets

The Association's endowment consists of one individual fund established for the advancement of research, programs and services for those with muscular dystrophy. The Glen E. & David K. Guttormsen Endowed Fund for Duchenne Muscular Dystrophy Research was established in an agreement, effective May 25, 2010, whereby the Association is to maintain and administer the fund in accordance with the donor's desires.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The endowment is held and managed by Wells Fargo Bank, N.A.

Endowment funds consist of the following net assets with donor restrictions of $982,396 and $1,191,057 at December 31, 2022 and 2021, respectively.

The Board of Directors of the Association has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") 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 be contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the with donor restrictions' endowment fund that is not classified in net assets without donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- The investment policies of the Association.

From time to time, the fair value of the assets associated with individual with donor restrictions endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in with donor restrictions. There were no such deficiencies as of December 31, 2022 and 2021.

The Association has adopted investment and spending policies for endowment funds that:

- Protect the invested assets;
- Preserve spending capacity of the fund income;
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundation; and
- Comply with applicable laws.

The endowment funds are invested in a "Balanced Pool" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined net classes.

Per the donor's designation, the Association is to disburse approximately 85% of year-end net earnings annually, based upon endowment earned interest, dividends, realized and unrealized gains and the remaining 15% returns to principal; this is known as the endowment fund's "growth" feature and is with donor restrictions. The endowment requires a minimum amount to be disbursed yearly, however the Association has not made the required disbursement for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Association has cumulative earnings of $367,504 and $576,165, respectively, which have been made available for appropriation of endowment expenditures.

During 2022 and 2021, the Association had the following endowment-related activities:

	Without donor restrictions	With donor restrictions	Total endowment
Endowment net assets, January 1, 2021	$ -	$ 1,077,753	$ 1,077,753
Current endowments received	-	-	-
Net appreciation (depreciation) (realized and unrealized)	-	113,304	113,304
Appropriation of endowment assets for expenditure	-	-	-
Total change in endowment net assets	-	113,304	113,304
Endowment net assets, December 31, 2021	-	1,191,057	1,191,057
Current endowments received	-	-	-
Net appreciation (depreciation) (realized and unrealized)	-	(208,661)	(208,661)
Appropriation of endowment assets for expenditure	-	-	-
Total change in endowment net assets	-	(208,661)	(208,661)
Endowment net assets, December 31, 2022	$ -	$ 982,396	$ 982,396

Note 15 - Commitments and contingencies

Lease commitments

The Association has various non-cancellable operating leases for the office space for its field offices in various cities nationwide. Rent expense was approximately $553,389 and $1,149,511 for the years ended December 31, 2022 and 2021, respectively. Estimated future straight-line rent expense for the year ended December 31, 2023 is $451,422, for the year ended December 31, 2024 is $39,216 and for the year ended December 31, 2025 is $6,536.

The future minimum annual rental commitments under all such operating leases for 2023 is $479,443, which represents the final payments for the Chicago office lease and payments for the Edina, MN office lease.

Litigation

In the normal course of business, the Association is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Association.

Contingency for research and training grants

The Association is contingently committed to providing research and training grants. As of December 31, 2022 and 2021, the Association has paid $4,407,039 and $6,533,107, respectively, in research and training grants.

The future research and training grant commitments as of December 31, 2022:

Year ending December 31, 2023	$	8,442,384
2024		6,088,621
2025		3,024,162
Total	$	17,555,167

Note 16 - Income taxes

The Association is a nonprofit organization and is exempt from taxation under IRC Section 501(c)(3) and New York Codes, Rules, and Regulations (NCRR20 Section 1-3.4(b)(6)).

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Association in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Association's returns for years ended December 31, 2022, 2021, 2020, 2019 are open for examination by federal and state taxing authorities, which generally is for three years after they are filed. If applicable, the Association would recognize interest and penalties associated with tax matters as part of general and administrative expenses and would include accrued interest and penalties in accrued expenses. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Note 17 - Charitable gift annuities

Gift annuities require an annuity to be paid to the donor or the donor's beneficiary over the beneficiary's lifetime. The annuity payments are funded by the donated assets, with the remainder becoming a gift to the Association. The actuarially determined liability is recorded based on the terms of the gift, and the difference between the present value of the estimated liability and the fair value of the gift is recognized as revenue at the time of the gift. At December 31, 2022 and 2021, the gift annuity balance is $992,255 and $1,254,180, respectively, and is included within investments in the accompanying statements of financial position. At December 31, 2022 and 2021, the actuarially determined liability is $415,437 and $442,915, respectively, and is included in accounts payable and accrued expenses within the accompanying statements of financial position. The Association utilizes the Internal Revenue Service 2000 Mortality Table and market-based interest rates for the development of the liabilities. The Association maintains assets sufficient to meet the annuity requirements stipulated by the various state laws.

Note 18 - Paycheck Protection Program loan

In response to the COVID-19 outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program ("PPP") to provide small business loans. In May 2020, the Association obtained a PPP loan directly from Bank of America in the amount of $8,726,730. The note was set to mature in May 2022 and bore interest at a fixed annual rate of 1%, with the first ten months of interest deferred. On February 3, 2021, the Association received additional funding in the amount of $2,000,000 directly from Bank of America. The additional funding was set to mature in February 2023 and bore interest at a fixed annual rate of 1%. The Association believes it used all the proceeds from the note for qualifying expenses which are classified as program expenses on the accompanying statement of activities.

The note is contingently forgivable if the Association meets the conditions of the PPP. In December 2021, the Association was notified by the U.S. Small Business Administration that it met requirements for the forgiveness of the PPP loan obtained in May 2020 in the amount of $8,659,377. The remaining $67,353 was not forgiven by the U.S. Small Business Administration and remains payable. During the year ended December 31, 2021, the Association recognized a gain on forgiveness of the amount of $8,659,377. The remaining balance of $67,353 was repaid in January 2022.

As of December 31, 2022 and 2021, the note payable balance is $0 and $2,067,353, respectively. One March 23, 2022, the Association received notice from the U.S. Small Business Administration that the $2,000,000 PPP additional funding was forgiven. During the year ended December 31, 2022, the Association recognized a gain on forgiveness of the amount of $2,000,000.

Note 19 - Subsequent events

The Association evaluated subsequent events through May 5, 2023, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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