

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

**MULTIPLE SCLEROSIS FOUNDATION, INC.**

**FT. LAUDERDALE, FLORIDA**



CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Multiple Sclerosis Foundation, Inc.  
Ft. Lauderdale, Florida

We have audited the accompanying statement of financial position of Multiple Sclerosis Foundation, Inc. (a nonprofit organization), as of December 31, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Multiple Sclerosis Foundation, Inc. as of December 31, 2006, and the results of its activities and changes in its net assets, functional expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "McClain &amp; Company, L.C." in a cursive, flowing script.

March 19, 2007

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

ASSETS

ASSETS

Cash and cash equivalents	\$1,153,982
Pledges and other receivables	93,733
Investment securities	10,277
Investment in donated property	11,892
Prepaid expenses	67,771
Property and equipment (net)	260,227
Other assets	<u>23,476</u>
 Total assets	 <u>\$1,621,358</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable, accrued expenses, and other	\$ <u>145,628</u>
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NET ASSETS

Unrestricted	1,469,353
Temporarily restricted	<u>6,377</u>
 Total net assets	 <u>1,475,730</u>
 Total liabilities and net assets	 <u>\$1,621,358</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$5,053,363	\$ -	\$5,053,363
Interest	63,058	-	63,058
Net assets released from restrictions:			
Satisfaction of Grantor restriction	<u>100</u>	<u>(100)</u>	<u>-</u>
Total support and revenues	<u>5,116,521</u>	<u>(100)</u>	<u>5,116,421</u>
<b>EXPENSES</b>			
Program expenses	4,124,387	-	4,124,387
Fund-raising	1,034,876	-	1,034,876
Management and general	<u>367,366</u>	<u>-</u>	<u>367,366</u>
Total expenses	<u>5,526,629</u>	<u>-</u>	<u>5,526,629</u>
Change in net assets	(410,108)	(100)	(410,208)
NET ASSETS, January 1, 2006	<u>1,879,461</u>	<u>6,477</u>	<u>1,885,938</u>
NET ASSETS, December 31, 2006	<u>\$1,469,353</u>	<u>\$6,377</u>	<u>\$1,475,730</u>

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

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

	Program	Support Services		Total
	Services	Fund-raising	Management	
Advertising	\$ 5,672	\$ 30,250	\$ 940	\$ 36,862
Awareness and education	214,972	-	-	214,972
Bank charges	-	-	15,226	15,226
Building repairs and maintenance	17,787	3,795	2,134	23,716
Depreciation	81,983	17,490	9,838	109,311
Equipment and furniture	27,078	9,360	11,178	47,616
Executives salaries and related costs	151,971	23,646	51,294	226,911
Federal and state fees	-	-	8,939	8,939
Grants and donations	784,562	-	-	784,562
Insurance	20,299	4,330	2,436	27,065
Miscellaneous	9,939	77,388	30,236	117,563
Other salaries and related costs	1,444,510	321,558	139,712	1,905,780
Printing and postage	368,498	98,265	24,567	491,330
Professional fees	41,011	34,088	29,648	104,747
Professional services	631,380	339,974	-	971,354
Rent	174,307	37,186	20,917	232,410
Supplies	36,637	6,996	4,079	47,712
Transportation	1,883	2,513	952	5,348
Utilities	<u>111,898</u>	<u>28,037</u>	<u>15,270</u>	<u>155,205</u>
Total expenses	<u>\$4,124,387</u>	<u>\$1,034,876</u>	<u>\$367,366</u>	<u>\$5,526,629</u>

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

STATEMENT OF CASH FLOWS  
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
 YEAR ENDED DECEMBER 31, 2006  
 MULTIPLE SCLEROSIS FOUNDATION, INC.

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from contributions, events, and donors	\$ 5,209,213
Cash paid to suppliers and employees	(5,464,171)
Interest received	<u>63,058</u>
Net cash used in operating activities	(191,900)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(4,296)</u>
Net decrease in cash and cash equivalents	(196,196)
CASH AND CASH EQUIVALENTS, January 1, 2006	<u>1,350,178</u>
CASH AND CASH EQUIVALENTS, December 31, 2006	<u>\$ 1,153,982</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:	
Change in net assets	\$ (410,208)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	109,311
Net increases in investment securities	(6,285)
Decrease in receivables	162,135
Increase in prepaid expenses	(34,575)
Decrease in accounts payable and accrued expenses	<u>(12,278)</u>
Net cash used in operating activities	<u>\$ (191,900)</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

During 2006, \$6,245 of investment securities was contributed to MSF.

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Multiple Sclerosis Foundation, Inc. ("MSF") is a nonprofit organization benefiting all individuals whose lives are touched by this chronic neurological disorder. Since 1986, MSF's mission has been to ensure the best quality of life for those coping with multiple sclerosis through vital support services and educational programs, and to create *A Brighter Tomorrow* by supporting research into the cause and cure of MS, and the investigation of various medical and complementary treatment options.

INCOME TAXES

MSF qualifies as a charitable organization as defined by the Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from Federal income taxes under Internal Revenue Code Section 501(a). Additionally, since MSF is publicly supported, contributions to it qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the resources available, MSF reports its accounts in accordance with the principles of fund accounting. Funds of MSF that have similar characteristics have been combined in fund groups as follows:

Unrestricted Funds

These are funds which management or the governing board has discretionary control to use in carrying on the mission of MSF.

Temporarily Restricted Funds

These funds are currently available for use, but are expendable only for specific purposes designated by the grantor or donor.

JOINT COST ALLOCATION

In 2006, MSF incurred joint costs of \$971,354 for informational materials and activities that included fund-raising appeals. MSF also allocated \$339,974 to fund-raising expense and \$631,380 to program services.

DONATED ITEMS AND SERVICES

MSF receives donated items and services. The items received are recorded as revenues upon passage of title to MSF at its fair market value. Services are also recorded at fair market value as revenue and expenses when incurred. During the current year those valuations amounted to \$9,743.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

MSF recognizes income from legacies and bequests when an unassailable right to the gift has been established and the proceeds are measurable in amount. Contributions, unless specifically restricted by the donor, are considered to be available for unrestricted use. Unrestricted contributions are recognized as income when contributed.

BASIS OF ACCOUNTING FOR RECEIVABLES

Pledges and other receivables are carried at their estimated collectible amounts.

METHOD OF ESTIMATING ALLOWANCES FOR LOSSES

Pledges and other receivables are periodically evaluated for collectibility based on past credit history with donors.

EXPENSE ALLOCATIONS

Functional expenses that are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

ESTIMATES

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

CASH EQUIVALENTS

For purposes of the statements of cash flows, MSF considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENTS SECURITIES

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is calculated using principally accelerated methods over the estimated useful lives of the respective assets.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTE 2 - PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables consist primarily of amounts due from bequests, pledges and automobile donation programs. Management believes all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been provided.

NOTE 3 - INVESTMENT SECURITIES

MSF's investments are received through donations and held principally for investment purposes, and are classified as trading securities. Investments are recorded at the lower of cost or market value on the statement of financial position. Following is a summary of these securities at 2006:

	<u>Cost</u>	<u>Fair value</u>
Equity securities	<u>\$10,276</u>	<u>\$10,703</u>

NOTE 4 - PROPERTY AND EQUIPMENT (NET)

As of December 31, 2006, property and equipment consisted of the following:

Equipment	\$ 51,056
Furniture	26,553
Computer hardware	148,286
Leasehold improvements	43,574
Software	<u>244,547</u>
	514,016
Less accumulated depreciation	<u>(253,789)</u>
Total	<u>\$ 260,227</u>

Depreciation expense was approximately \$109,000 for the year ended December 31, 2006.

NOTE 5 - COMMITMENT AND CONTINGENCIES

LEASES

MSF leases office spaces in Fort Lauderdale, Florida, under operating leases that expire on April 30, 2011, and December 31, 2010. Future minimum rental payments under the leases with remaining noncancelable terms in excess of one year are as follows:

<u>Year ending December 31,</u>	<u>Florida</u>
2007	\$161,543
2008	165,917
2009	170,466
2010	175,197
2011	<u>43,211</u>
Total minimum payments	<u>\$716,334</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
MULTIPLE SCLEROSIS FOUNDATION, INC.

NOTE 5 - COMMITMENT AND CONTINGENCIES (CONTINUED)

LEASES (CONTINUED)

MSF leases office equipment under operating leases that expire in various years through 2008. Future minimum rental payments under the leases with remaining noncancelable terms in excess of one year are as follows:

<u>Year ending December 31,</u>	<u>Florida</u>
2007	\$30,607
2008	<u>18,698</u>
Total minimum payments	<u>\$49,305</u>

NOTE 6 - CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments, which potentially subject MSF to concentrations of credit and market risk, consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. MSF has not experienced any losses on its cash equivalents.

